

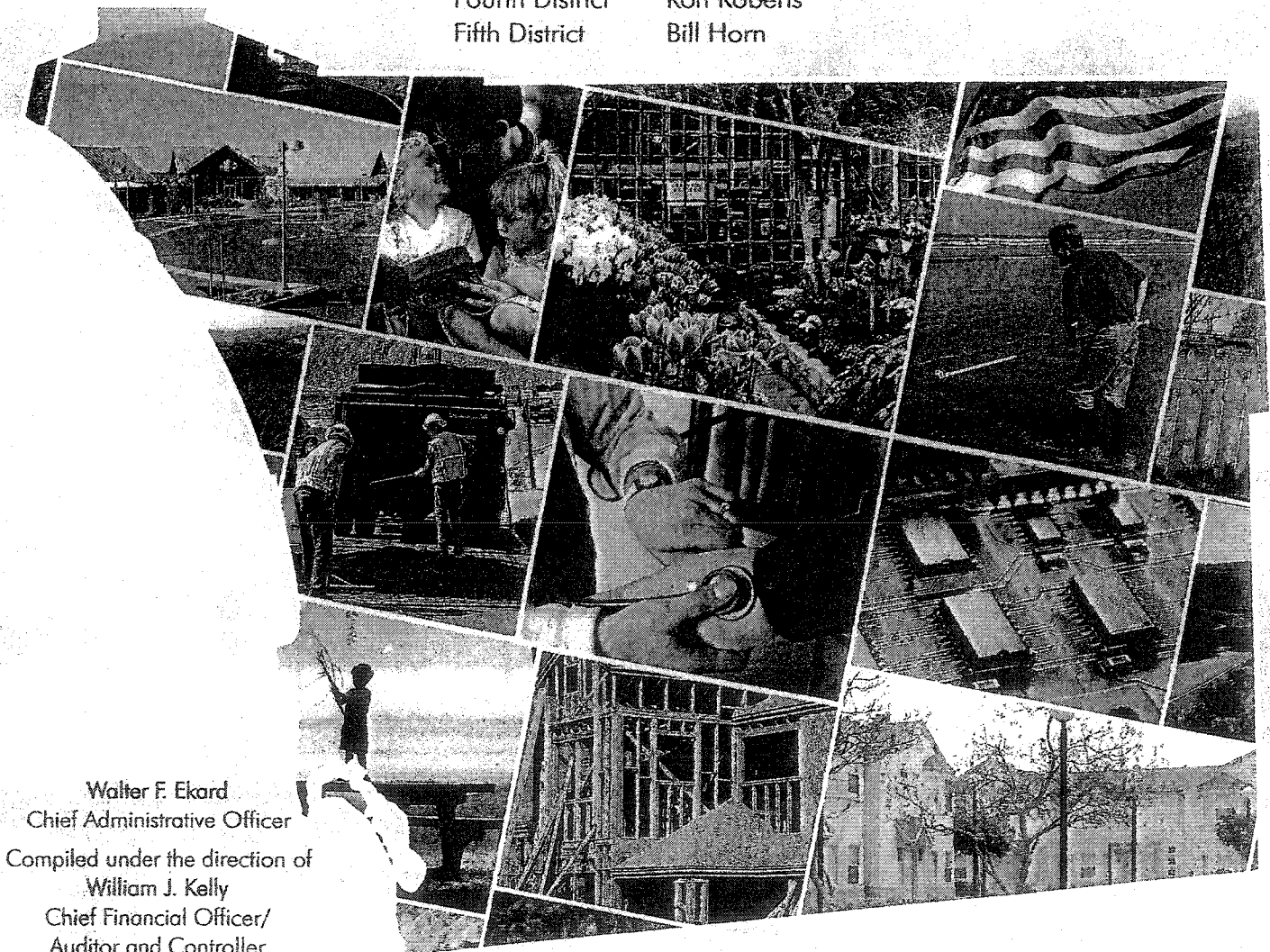
# *County of San Diego, California*

## Comprehensive Annual Financial Report

### For the Fiscal Year Ended June 30, 2003

#### Board of Supervisors

First District	Greg Cox
Second District	Dianne Jacob
Third District	Pam Slater
Fourth District	Ron Roberts
Fifth District	Bill Horn



Walter F. Ekard  
Chief Administrative Officer

Compiled under the direction of  
William J. Kelly  
Chief Financial Officer/  
Auditor and Controller

*"Supporting Kids, the Environment, and Safe & Livable Communities"*



# County of San Diego California

## Comprehensive Annual Financial Report

For the Fiscal Year  
Ended June 30, 2003

### Board of Supervisors

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First District

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William J. Kelly  
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**JUNE 30, 2003**

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## INTRODUCTORY SECTION





## County of San Diego

DONALD F. STEUER  
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AUDITOR AND CONTROLLER  
1600 PACIFIC HIGHWAY STE 165, SAN DIEGO, CALIFORNIA 92101-2478

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January 12, 2004

Honorable Members of the Board of Supervisors  
County of San Diego  
San Diego County Administration Center  
San Diego, California, 92101

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of San Diego, California (the County) for the fiscal year ended June 30, 2003 with the Independent Auditors' Report, submitted in compliance with California Government Code Section 25253. The Auditor and Controller's department has prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the results of the County's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the County's financial affairs.

This is the second year the County prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Our CAFR is divided into the following sections:

**The Introductory Section** includes information about County government, the County's economy, general management system, strategic initiatives, selected other financial information, and acknowledgements.

**The Financial Section** is prepared in accordance with the GASB 34 requirements by including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the County's entire financial operations and the fund financial statements that present the financial information of each of the County's major funds, as well as non-major governmental, fiduciary, and other funds. Also included in this section is the Independent Auditors' Report on the financial statements and schedules.

**The Statistical Section** provides trend data and non-financial information useful in assessing the County's financial condition. In this regard, it contains various tables, which present ten years of historical information concerning financial data, debt statistics, and miscellaneous social and economic data. This information is often of special interest to potential investors, creditors and other interested readers.

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## **SAN DIEGO COUNTY PROFILE**

The San Diego County is the southernmost major metropolitan area in the State of California and covers 4,255 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equitable in the coastal and valley regions where most resources and population are located. The average annual rainfall in the coastal areas is 10 inches, so that the County is highly dependent on imported water.

The County population in January 2003 was estimated to be 2,961,600, an increase of 1.8% over January 2002, making it the third largest county by population in California and the fifteenth largest Metropolitan Statistical Area in the United States. Between 1970 and 1995, the San Diego region's population growth outpaced both the state and the nation, according to the San Diego Association of Governments (SANDAG), who projects that trend to continue through 2020. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with population of approximately 1.275 million. In addition, Tijuana, Mexico, with an estimated population of 1.2 million, is a substantial urban neighbor with a shared border, workforce, and economy.

The racial and ethnic composition of the County is as diverse as its geography. According to SANDAG's analysis of the 2000 Census, 55% of the population is White; 27%, Hispanic; 9%, Asian; 5%, Black; and 4%, all other groups. The growth in the Hispanic population over the last 10 years, 47%, has significantly exceeded total County population growth of 13%. SANDAG projects that both the Hispanic and Asian population shares will continue to increase through 2020. SANDAG also projects an older San Diego County by 2020, based on statistics such as median age and rate of increase of populations over 65.

## **COUNTY GOVERNMENT, ECONOMY AND OUTLOOK**

### **San Diego County Government**

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. The Chief Administrative Officer appoints the Chief Financial Officer and the Auditor and Controller. Elected officials include the Assessor/Recorder/County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by state or federal mandate, as County government is the delivery system for federal, state and local programs. The County supports a wide range of services to its residents including regional services such as courts and elections, public health and welfare, and environmental services. The County also provides the unincorporated areas public safety, basic community services such as planning and parks, and infrastructure such as roads and waste disposal. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, with eligible costs subject to reimbursement according to specific guidelines; however, not all mandated costs are reimbursed.

### **San Diego Economy and Outlook**

In 2002, Forbes Magazine recognized San Diego as the "Best Place" for business and careers, citing a diversified economy and skilled labor force. In recent years the County has enjoyed economic stability, outpacing the state economy despite a general downturn in California. For example, the unemployment rate for the County has been lower than that of the State for the last 5 years, and at July 2003 was 4.7% as compared to 6.7% for the State. Much of this economic strength was characterized by employment gains, personal income increases, rising levels of commercial and industrial development and steady population growth. Looking forward, the state and federal economies are expected to grow slowly, with increases in business investment and slow growth in consumer spending. The San Diego economy is expected to perform in line with the slow expansion of the state and federal economies and to maintain its favorable position in relation to such comparative statistics as unemployment and job growth.

The County's economic base consists of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence. Highlights of County employment as of July 2003 are listed below.

- Non-agricultural employment totaled 1,220,300 jobs.
- The services industry constitutes the largest employment sector and accounted for approximately 44.1% of nonagricultural employment as of July 2003, with a total of 538,500 employed.
- The wholesale and retail trade industries were the second largest, non-government sector, comprising approximately 14.8% of non-agricultural employment with a total of 180,000 jobs.
- Government accounted for approximately 17.1% of total employment and manufacturing accounted for an additional 8.9%. The U.S. Department of Defense contributed about \$13.6 billion to the local economy in fiscal year 2002-2003, through wages paid to the uniformed military and civilian personnel, and for equipment and services purchased from local businesses, and continued to rise during fiscal year 2002-2003. San Diego's military presence is anticipated to remain relatively stable and may even increase due to the consolidation of military operations and facilities. Agriculture accounted for approximately .88% of total employment.
- The construction and transportation sectors of employment are greatly influenced by the general health of the economy due to the fact that they serve the local market exclusively. The construction industry in particular has a significant multiplier effect on the economy as a whole. These two sectors are therefore directly influenced by the growth of population and housing. Construction also benefited in fiscal year 2002-2003 from the historically low interest rates.
- Employment growth over the next year is expected to come from the software and computer services and business services industries. Overall, the San Diego economy in fiscal year 2003-2004 is expected to add approximately 22,000 jobs, down slightly from 2002.

County revenues based on the local economy such as property taxes, sales taxes, and charges for services have benefited from the region's strength. For example, new real estate construction plus active resale markets over the last 5 years have resulted in an increase of 42% in the assessed value of property subject to property taxes (net of exemptions). Going forward, real estate markets are expected to remain strong but not spectacular. In addition to conditions of demand and supply, real estate market activity is also affected by interest rates. Mortgage rates increased during the summer of 2003, but are expected to remain low by historical standards over the near term.

The difficult side of accelerating property values is that housing has become less affordable for San Diegans; the update of the County General Plan 2020 is in the process of providing land use and zoning regulations to accommodate expected population growth. Transportation demands and traffic congestion will affect the current and future quality of life, given suburban residential growth and business expansion, such as the gaming industry, outside city centers on formerly rural and agricultural land.

### **GENERAL MANAGEMENT SYSTEM**

The General Management System (GMS) is the formal comprehensive guide for planning, implementing, monitoring and rewarding all functions and processes of County Government. The GMS establishes good business practices and fiscal discipline, both of which are essential to achieve the County of San Diego's vision, "A County Government that has earned the respect and support of its residents." In 2003 the County received two major awards for use of the GMS:

- Grand Golden Watchdog Award from the San Diego County Taxpayers' Association
- Challenge Award from the California State Association of Counties

The purpose of the GMS is to optimize the efficient application of resources in the delivery of services to our residents. These resources include not just taxpayer dollars, but all San Diego County assets, including our unique natural and cultural resources, the expertise and creativity of County employees, and the informed interest of County residents. The idea behind the GMS is straightforward: the County will be able to provide superior services if we set sound goals and apply strong management principles to achieve those goals.

Our County has an annual budget of more than \$4 billion and approximately nineteen thousand employees who serve nearly three million residents spread over more than 4,000 square miles. Coordination, fiscal and operational discipline, and shared commitment are vital. The GMS facilitates and organizes the goal setting process. The GMS then links goal setting and long-range planning and resource allocation to goal attainment, which includes monitoring, evaluation, cooperation, motivation, and recognition. The GMS helps ensure that

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County employees adhere to core principles, promoting a culture that values our employees, partners, and customers and institutionalizes continuous improvement and innovation.

The GMS process begins with long-range, five-year strategic planning process. This is followed by short-term, two-year operational planning process, which encompasses the budget process and wherein each department's strategic objectives and resources allocated to achieving them are detailed. Monitoring and control take place throughout the year. Evaluation mechanisms are used to ensure that goals are tracked, plans followed, and risks identified. Functional threading maximizes efficient use of personnel and material resources by coordinating staff and linking the functions they perform. Motivation, rewards, and recognition encourage continuing progress by rewarding those who meet and exceed goals. The system completes a full circle in a fiscal year and begins again with a review of the Strategic Plan and development of a new Operational Plan.

County management defines and communicates GMS objectives. Lines of authority flow from the Board of Supervisors to the Chief Administrative Officer (CAO), Assistant CAO (ACAO), and the five Group General Managers/Deputy CAOs. These senior managers supervise appointed department heads, from whom authority flows down to line staff. Despite the crucial role of management, successful GMS application depends on strong and effective leadership at all levels of County service. Every County employee is expected to help set goals, strive to achieve them, and be rewarded for achievement.

The GMS helps ensure that sound planning, preparedness, and improvement become permanent organizational ethics. With the GMS as a guide, the County continues to use strong fiscal management practices, while remaining focused on providing superior services to County residents. The principles and procedures outlined by the GMS are meant to apply to every County function on an ongoing basis.

#### **STRATEGIC INITIATIVES AND ACHIEVEMENTS**

San Diego County continues to adjust to the two significant external events of the last few years. First, the terrorist attacks and ensuing domestic and international Wars on Terrorism have colored forever the criticality of core government functions such as preparedness and safety. As one of the top geographical areas for Federal defense spending and related activity, San Diego County has experienced direct effects from the military buildup. Second, the first steps towards resolution of the substantial structural State budget shortfall have exacerbated the uncertainty surrounding State support to local governments for discretionary as well as mandated programs. With resources re-allocated in response to those two events, the County has taken early action to plan for and transition program reductions, and these efforts are expected to continue into fiscal year 2003-2004.

As the starting point of the GMS, the County's Strategic Plan defines broad organization-wide goals as Strategic Initiatives, which help prioritize specific 'front-line' County efforts and programs. Initiatives and Required Disciplines were:

- **KIDS**  
Improve opportunities for children
- **THE ENVIRONMENT**  
Promote natural resource management strategies that ensure environmental preservation, quality of life, and economic development.
- **SAFE AND LIVABLE COMMUNITIES**  
Promote safe and livable communities

The Strategic Plan also recognizes that maintaining operational excellence is what enables us to accomplish our Strategic Initiative goals. Key Required Disciplines of operations include:

- Fiscal Stability
- Customer Satisfaction
- Regional Leadership
- Skilled, Competent Workforce
- Essential Infrastructure
- Information Management
- Accountability/Transparency
- Continuous Improvement

Some of the significant achievements of the last year in the Initiatives and Required Disciplines are:

---

## **KIDS**

- Linked eligible needy children to no-cost and low-cost healthcare coverage with improved application processes for Medi-Cal and Healthy Families and other enrollment efforts.
- Conducted programs to encourage healthy behaviors in children, such as immunizations, weight management, and asthma best practices campaign.
- Provided care and services for at-risk youth and children, including San Pasqual Academy, a residential education facility, juvenile diversion programs that link Corrections, Parks, and Farm & Home Advisor staff, and linking Children's Mental Health Services to a number of other related programs.

## **THE ENVIRONMENT**

- Advanced the Multiple Species Conservation Program through land acquisition and grants.
- Implemented water quality improvement programs for stormwater management, including inter-agency efforts, best management practices for County facilities, and working with trade and industry groups.
- Led regional responses to a variety of public, environmental, and agricultural health threats such as West Nile Virus and Newcastle Disease.
- Balanced competing land use needs by work with community and industry groups on General Plan 2020.
- Strengthened working relationships with the 17 Tribal Governments.

## **SAFE AND LIVABLE COMMUNITIES**

- Improved emergency preparedness and response through Federal and State funding.
- Addressed primary contributors to crime by implementing Proposition 36 treatment opportunities, improved behavioral health services for dually-diagnosed, and screenings for substance abuse problems.
- Enhanced programs to counter domestic violence with the Domestic Violence Response Team and continued funding for the Domestic Violence Hotline.
- Increased community residents' accountability for public safety through neighborhood revitalization, housing fraud investigations, and programs designed to monitor registered sex offenders.
- Expanded County Medical Services to increase access to health care and developed a variety of services related to seniors, such as timely response to elder abuse victims.
- Maintained and expanded parks through the renovation or construction of playgrounds and sports fields.
- Expanded information resources with the construction of new branch libraries in Valley Center and Cardiff and obtained Proposition 14 Bond funding for Julian and Lemon Grove libraries.

## **OTHER FINANCIAL INFORMATION**

### **Internal Controls**

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Strategic and Operational Planning (Budgetary) Process**

A five-year Strategic Plan is updated annually to provide long-term direction to County managers and staff. It embodies the tenets of County's General Management System (GMS) and is built on mutually held expectations for the future. Each fiscal year a two-year Operational Plan is prepared and details each department's strategic objectives and the resources required to achieve them. The Operational Plan is monitored regularly and is linked to the GMS system of rewards and recognition. The annual Line-Item Budget incorporates the first year of the Operational Plan and is formally adopted by the Board of Supervisors pursuant to Government Code 29000.



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### **Pension Trust Fund**

The San Diego Employees' Retirement Association (SDCERA) is a contributory defined benefit plan established July 1, 1939, under provisions of the County Employees Retirement Law of 1937. The plan is integrated with the Social Security System and substantially all employees participate. As a result of last year's adoption of enhanced retirement benefits, the County incurred an increased obligation pursuant to the Retirement Law as an unfunded accrued actuarial liability (UAAL) to the Association. In October 2002 the County issued \$737.3 million in Pension Obligation Bonds (POBs). The proceeds were used to escrow a portion of outstanding prior POBs and to fund a portion of the aforementioned UAAL. As of June 30, 2002, the total estimated UAAL was \$1,246.7 million.

### **Cash Management**

The Treasurer, at the delegation of the Board of Supervisors, directs the investment of available County cash, along with cash from other local agencies such as school districts. All deposits are commingled in a pooled investment fund (Pool) and are invested according to an investment policy whose objectives are safety of principal, liquidity, and a rate of return consistent with prudent management. At June 30, 2003, the average yield on investments was 1.74%.

### **Risk Management**

The County purchases insurance for property damage (including earthquake), certain casualty claims, public-officials bond, employee dishonesty, faithful performance, and other risks, and pays deductible amounts that vary with each type of insurance.

The County is self-insured for all other risks. The self-insurance activities and resources are accounted for in two Internal Service Funds (ISFs), with the exception noted below of excess workers compensation. Risk liability levels for both ISFs are determined by actuarial studies, and reserves are being funded over a multi-year period from the rate structures charged to the operating funds. The risk management ISFs are also discussed in Note 5B to the Financial Statements. The ISFs are:

- The Employee Benefits ISF, for all uninsured employee risk management activities. The County purchases insurance for workers' compensation in excess of \$1 million.
- The Public Liability ISF, for all uninsured public risk management activities, such as premises liability, medical malpractice, false arrest, and general liability.

### **INDEPENDENT AUDIT**

County Charter Section 802 requires an annual audit of the County's accounts and financial transactions. The certified public accounting firm, KPMG LLP, has audited the accompanying basic financial statements compiled from these records. Their Independent Auditors' Report on the financial statements is presented in the Financial Section.

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **OTHER AWARDS AND RECOGNITIONS**

In addition to its awards for the GMS, the County has received recognitions for its activities that highlight progress in the Strategic Plan Initiatives as well as those that affirm operational excellence in its Required Disciplines. Some are listed below.

### **KIDS**

*San Pasqual Academy*, a state-of-the art residential education campus for foster care youth.

- National Association of Counties (NACo)-2003 Achievement Award
- CSAC-2003 California Community Partnership Award

- 
- California Chapter of the American Planning Association—2003 State Planning Award  
*EmpowerSD*, an interactive website using Geographic Information System technology to facilitate self-sufficiency for families with children.
  - NACo—2003 Achievement Award
  - Environmental Systems Research Institute 2003 Health & Human Services International Users Conference—CEO's Vision Award
  - California Geographic Information Association—2002 Internet Award
  - Center for Digital Government—2002 "Best of Web" Honorable Mention

#### **THE ENVIRONMENT**

*Project Clean Water*-a stakeholder-driven approach to developing and implementing consensus strategies for protecting the environment and economy.

- CSAC—2003 Merit Award
  - NACo—2003 Achievement Award
  - California Conference of Directors of Environmental Health—Excellence in Environmental Health Award
- Pollution Prevention*, County agencies' work and efforts in pollution prevention.
- NACo-2003 Achievement Awards for the Technical Assistance Project for Auto Repair Shops, Alternative Mobile Source Emission Reduction Credits, and Lawnmower Exchange Programs.
  - California Environmental Protection Agency—Certificate of Recognition for posting beach water quality status data on a single web page.

#### **SAFE AND LIVABLE COMMUNITIES**

*Proposition 36*, Substance Abuse and Crime Prevention Act Program, operated using only State revenues.

- San Diego County Taxpayer's Association-2003 Golden Watchdog Finalist.
- Job Placement* for CalWORKS population, a joint effort with local businesses and business organizations.
- California Technology Trade and Commerce—Investment Fund Certificate of Recognition
- Mental Health*, a recovery-based disease management project for the treatment of schizophrenia.
- President's New Freedom Commission on Mental Health-Citation
- Books-by-Mail*, a County library service for homebound residents.
- NACo - 2003 Achievement Award - Best-in-Class - County Libraries
  - American Library Association - 2003 Bessie Boehm Moore-Thorndike Press Award

#### **OPERATIONAL EXCELLENCE IN REQUIRED DISCIPLINES**

*Internet* as delivery channel for information and services

- 2003 Digital Counties Survey—San Diego County tied for fourth best in the country

*Purchasing and Contracting* business processes and technology enhancements

- NACo—2003 Achievement Award Best in Class for Reverse Auction
- American Purchasing Institute—Achievement in Excellence in Procurement Award
- California Association of Public Purchasing Officials—Achievement in Excellence Procurement Award

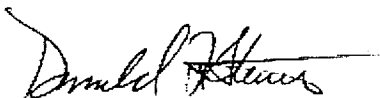
*Case Management System* of the Public Defender

- California Public Defenders Association—2003 Program of the Year Award

#### **ACKNOWLEDGMENTS**

We would like to express our appreciation to the accounting staffs of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank KPMG LLP for their professional support in the preparation of the CAFR. Additionally, we would like to express our gratitude to William J. Kelly, retired Chief Financial Officer/Auditor and Controller, who after 33 years of dedicated County service, retired on December 11, 2003. Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staffs for using sound business practices while conducting the financial operations of the County.

Respectfully,



DONALD F. STEUER  
Chief Financial Officer



TRACY M. SANDOVAL  
Assistant Chief Financial Officer/Auditor and Controller



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Diego,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## BOARD OF SUPERVISORS



**DISTRICT 1**

Greg Cox  
(Chairman)



**DISTRICT 2**

Dianne Jacob  
(Vice Chairwoman)



**DISTRICT 3**

Pam Slater



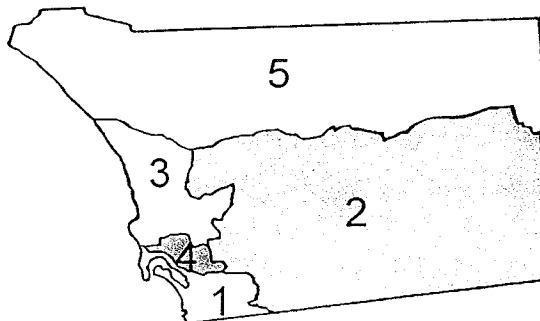
**DISTRICT 4**

Ron Roberts



**DISTRICT 5**

Bill Horn



## FISCAL OFFICERS



**CHIEF ADMINISTRATIVE  
OFFICER**

Walter F. Ekard



**CHIEF FINANCIAL OFFICER/  
AUDITOR AND CONTROLLER**

William J. Kelly



**ASSESSOR/RECORDER/  
COUNTY CLERK**

Gregory J. Smith

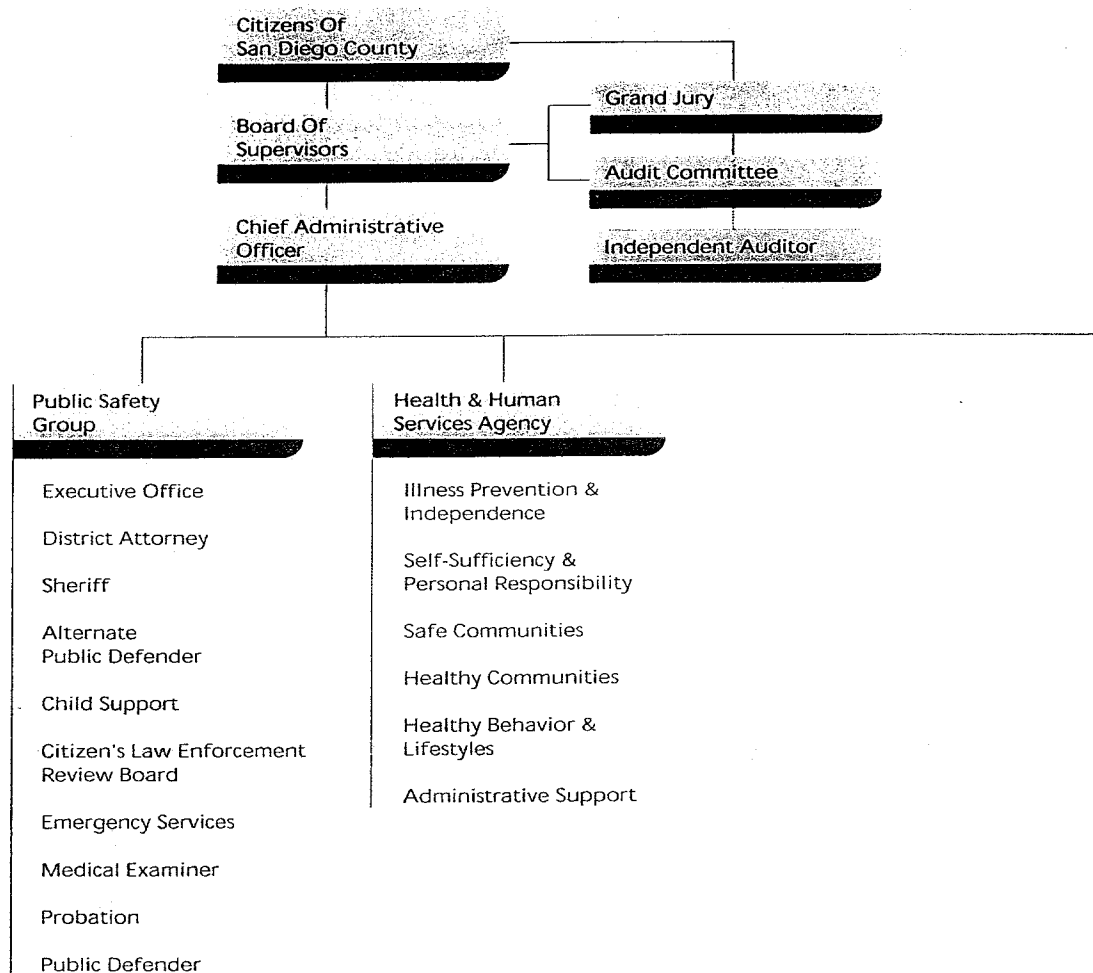


**TREASURER/TAX COLLECTOR**

Daniel V. McAllister



## San Diego County Organizational Chart



Land Use & Environment Group	Community Services Group	Finance & General Government Group
Executive Office	Executive Office	Executive Office
SanGIS	Animal Services	Assessor/Recorder/ County Clerk
Trade & Business Development	County Library	Treasurer-Tax Collector
Agriculture, Weights & Measures	General Services	Auditor & Controller
Air Pollution Control District	Housing & Community Development	County Technology Office
Environmental Health	Purchasing & Contracting	Civil Service Commission
Farm & Home Advisor	Redevelopment Agency	Clerk of the Board of Supervisors
Parks & Recreation	Registrar Of Voters	County Counsel
Planning & Land Use		Human Resources
Public Works		Media & Public Relations
		County Administration Center Major Maintenance







## FINANCIAL SECTION

- . Independent Auditors' Report
- . Management's Discussion and Analysis
- . Basic Financial Statements
- . Notes to Basic Financial Statements
- . Required Supplementary Information
- . Combining Financial Statements  
and Supplemental Information





750 B Street  
San Diego, CA 92101

## **Independent Auditors' Report**

The Honorable Board of Supervisors  
of the County of San Diego:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California (the County) as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 21 through 34, the budgetary comparison schedules on pages 88 through 93, and 116 through 132, and the schedule of funding progress on page 95 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of San Diego, California's basic financial statements. The introductory section, the combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

January 12, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

(Amounts Expressed in Thousands)

This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2003. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides you with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

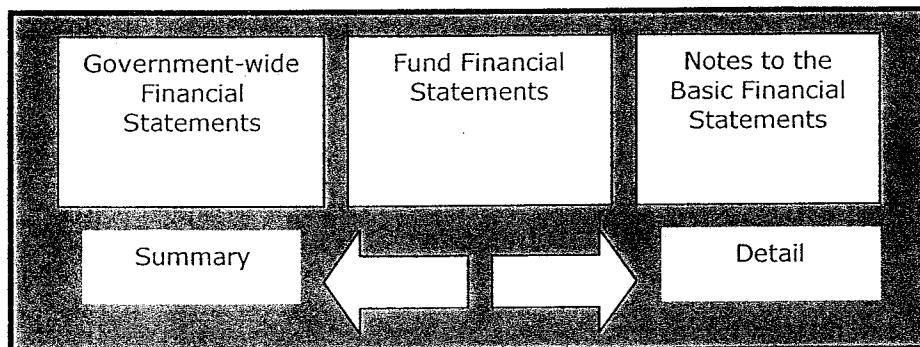
### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the fiscal year 2002-2003 by \$2.3 billion (*net assets*). Of this amount, approximately \$244 million is restricted for specific purpose (*restricted net assets*), and \$2.3 billion is invested in capital assets, net of related debt. The remaining portion of the net assets represents a deficit balance in unrestricted net assets of approximately \$237 million.
- The County's total net assets decreased by approximately \$418 million due in large part to the deficit. The deficit was due to increased contributions attributed to the increased unfunded accrued actuarial liability owed to the San Diego County Employees Retirement Association (SDCERA) as a result of the approved enhanced retirement benefits for members of SDCERA.
- In October 2002, the County issued approximately \$737 million of Taxable Pension Obligation Bonds. A portion of the proceeds were used to escrow a principal amount of \$156 million of the County's outstanding 1994 Taxable Pension Obligation Bonds.
- General revenues were \$1.1 billion. Of this amount, approximately \$636 million or 56 percent was attributable to state sales tax and motor vehicle fees while property taxes accounted for approximately \$459 million or 41 percent.
- The net expense for governmental activities was \$1.5 billion. Public protection accounted for approximately \$782 million or 50 percent of this amount while health and sanitation accounted for \$265 million or 17 percent.
- At June 30, 2003, the General Fund's total fund balance was approximately \$599 million. Of this amount, the unreserved-undesignated fund balance was \$269 million or 9 percent of the total fiscal year 2002-2003 expenditures of \$2.9 billion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) **Government-wide** financial statements 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

The illustration below depicts the required components of the basic financial statements.



**Government-wide Financial Statements** are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

### (Amounts Expressed in Thousands)

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreational and cultural. The business-type activities of the County include airport operations, wastewater management and sanitation districts.

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains twenty-eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Tobacco Securitization Special Revenue Fund, and the Tobacco Securitization Joint Special Revenue Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Combining Financial Statement and Supplementary Information section in this report.

**Proprietary funds** are generally used to account for services for which the County charges customers – either outside customers, or internal departments of the County. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County maintains the following types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Airport, Wastewater Management and Sanitation Districts. Each is considered to be a major fund of the County.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**(Amounts Expressed in Thousands)**

- **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's uninsured risk management activities; the financing of fleet services; for mail, printing and record storage services; for facilities management activities; for the financing of information technology services; and for the financing of clothing and personal sundry items for persons institutionalized at various county facilities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The County's nine internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Combining Financial Statement and Supplementary Information section in this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information** is presented concerning the County's General Fund budgetary schedule, and SDCERA pension schedules. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. In addition, a budgetary comparison schedule has been provided for the Tobacco Securitization Special Revenue Fund for it was determined to be a major governmental fund. The SDCERA pension schedules have been provided to present SDCERA's progress in funding its obligation to provide pension benefits to County employees.

**Combining Financial Statement and Supplementary Information** section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds, enterprise and internal service funds and are presented immediately following the Required Supplementary Information section of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This is the second year that the County has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Because this reporting model changed significantly both the recording and presentation of financial data, the County's CAFR for fiscal year ending June 30, 2003 did not provide comparative information other than in its MD&A. This year marks the first time that two years of financial information in the GASB 34 format are available.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**(Amounts Expressed in Thousands)**

**Net Assets**  
June 30, 2003

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets:</b>						
Current and other assets	\$ 1,861,646	1,724,081	82,211	84,625	1,943,857	1,808,706
Capital assets	2,665,784	2,618,279	71,756	66,371	2,737,540	2,684,650
<b>Total assets</b>	<b>4,527,430</b>	<b>4,342,360</b>	<b>153,967</b>	<b>150,996</b>	<b>4,681,397</b>	<b>4,493,356</b>
<b>Liabilities:</b>						
Long-term liabilities	1,999,103	1,502,993	464	477	1,999,567	1,503,470
Other liabilities	340,172	226,728	1,836	5,847	342,008	232,575
<b>Total liabilities</b>	<b>2,339,275</b>	<b>1,729,721</b>	<b>2,300</b>	<b>6,324</b>	<b>2,341,575</b>	<b>1,736,045</b>
<b>Net assets:</b>						
Invested in capital assets, Net of related debt	2,261,697	2,178,892	71,293	66,026	2,332,990	2,244,918
Restricted	243,815	161,838	15	34,151	243,830	195,989
Unrestricted	(317,357)	271,909	80,359	44,495	(236,998)	316,404
<b>Total net assets (restated)</b>	<b>\$ 2,188,155</b>	<b>2,512,639</b>	<b>151,667</b>	<b>144,672</b>	<b>2,339,822</b>	<b>2,757,311</b>

#### Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$2.3 billion at the close of fiscal year 2002-2003. At the end of fiscal year 2002-2003, the County had positive balances in two of its categories of net assets, (Invested in capital assets net of related debt and Restricted net assets), however, its unrestricted assets had a deficit balance of \$237 million.

The largest portion of the County's net assets (99 percent) reflects its investment of \$2.3 billion in capital assets (e.g. land, infrastructure, buildings, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net assets, \$244 million (10 percent), represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation.

The remaining portion of the County's net assets represents a deficit unrestricted net assets balance of \$237 million (deficit of 10 percent). This deficit is due in large part to the increased unfunded accrued actuarial liability owed to the SDCERA as the result of approved enhanced retirement benefits for members of SDCERA.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**(Amounts Expressed in Thousands)**

**Changes in Net Assets**

June 30, 2003

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 408,860	380,996	27,336	42,345	436,196	423,341
Operating grants and contributions	1,288,166	1,173,494	3,769	5,763	1,291,935	1,179,257
Capital grants and contributions	40,587	30,128	839	501	41,426	30,629
General revenues:						
Property taxes	459,340	412,400			459,340	412,400
Interest	30,213	39,041	1,437	2,694	31,650	41,735
State sales tax and motor vehicle fees	636,225	605,175			636,225	605,175
Other	3,964	5,011			3,964	5,011
<b>Total revenues</b>	<b>2,867,355</b>	<b>2,646,245</b>	<b>38,381</b>	<b>51,303</b>	<b>2,900,736</b>	<b>2,697,548</b>
<b>Expenses:</b>						
General government	234,062	171,273			234,062	171,273
Public protection	1,140,484	823,520			1,140,484	823,520
Public ways and facilities	142,356	168,202			142,356	168,202
Public assistance	1,035,065	825,028			1,035,065	825,028
Health and sanitation	598,189	547,200			598,189	547,200
Recreational and cultural	23,520	18,021			23,520	18,021
Education	30,850	24,119			30,850	24,119
Interest on long-term debt	87,627	61,340			87,627	61,340
Airport			7,125	7,973	7,125	7,973
Wastewater Management			4,357	3,808	4,357	3,808
Transit				17,085		17,085
Sanitation Districts			15,216	15,306	15,216	15,306
<b>Total expenses</b>	<b>3,292,153</b>	<b>2,688,703</b>	<b>26,698</b>	<b>44,172</b>	<b>3,318,851</b>	<b>2,682,875</b>
Excess (deficiency) before special item and transfers	(424,798)	7,542	6,683	7,131	(418,115)	14,673
Special item: gain (loss) on sale of properties	474	1,054	27	(5,145)	501	(4,091)
Transfers	(160)	359	160	(359)		
<b>Increase (decrease) in net assets</b>	<b>(424,484)</b>	<b>8,955</b>	<b>6,870</b>	<b>1,627</b>	<b>(417,614)</b>	<b>10,582</b>
Net assets at beginning of year (restated)	2,612,639	2,603,684	144,797	143,045	2,757,436	2,746,729
<b>Net assets at end of year</b>	<b>\$ 2,188,155</b>	<b>2,612,639</b>	<b>151,667</b>	<b>144,672</b>	<b>2,339,822</b>	<b>2,757,311</b>

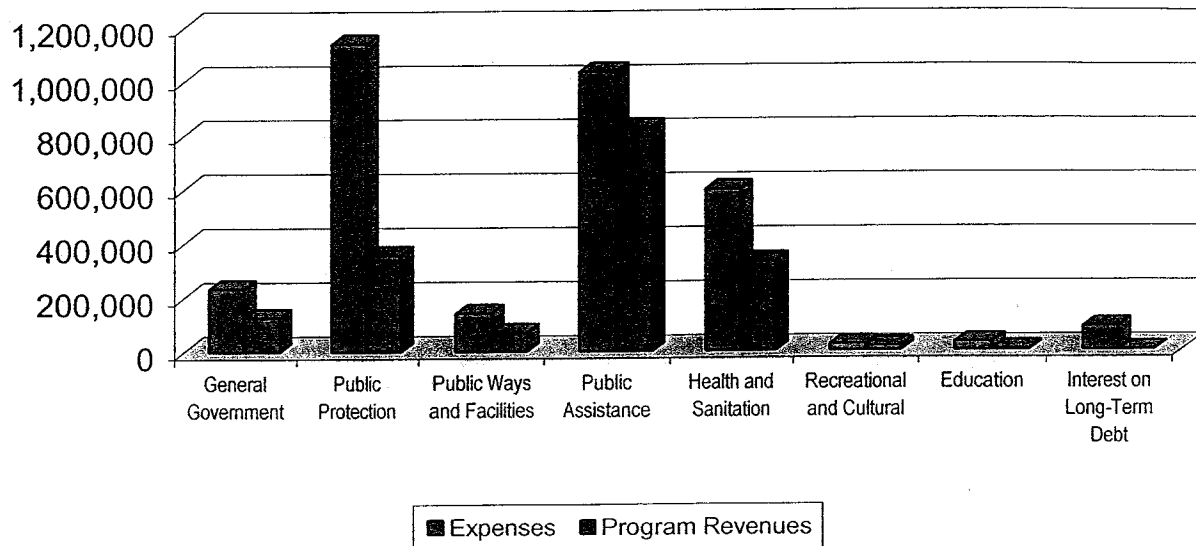
**Analysis of Changes in Net Assets**

The County's net assets decreased by \$417,614 during the current fiscal year.

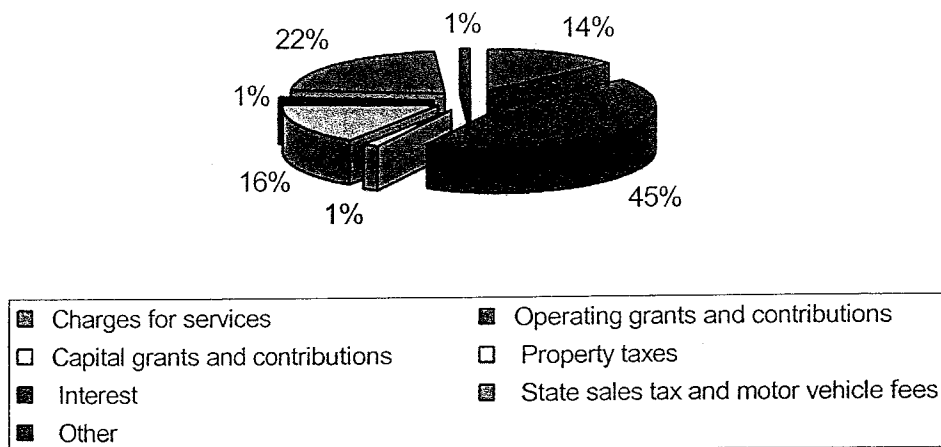
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

(Amounts Expressed in Thousands)

### Expenses and Program Revenues - Governmental Activities



### Revenues By Source - Governmental Activities



#### Governmental activities

Governmental activities decreased the County's net assets by approximately \$424 million. This decrease was largely due to the increase in expenses of approximately \$653 million or 25 percent while the increase in revenues was approximately \$221 million or eight percent. These activities are further discussed below.

#### Revenue

Operating and capital grants and contributions increased by approximately \$125 million or ten percent, due in part to additional revenue realized for increased costs in various programs, including In Home Supportive Services costs, which were higher in fiscal year 2002-2003 due to caseload growth and higher individual

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**(Amounts Expressed in Thousands)**

provider costs. Additionally, this increase may be attributable to reimbursement of increased expenditures incurred for the East Mesa Detention Facility project.

Property tax revenues increased by approximately \$47 million or eleven percent during the year. Most of this increase is attributable to a continued strong real estate market and consequent growth in the assessed value of property.

State sales tax and motor vehicle fees increased by approximately \$31 million or five percent. Most of this increase is attributable to an increase in motor vehicle license fee revenue. The growth in this revenue is due to an increase in the number and values of vehicles registered statewide, influenced by the number and cost of new car purchases. Additionally, in fiscal year 2002-2003, the County received one-time commercial vehicle revenues.

Expenses

Total expenses for governmental activities were \$3.3 billion. The majority of these expenses were for public protection and public assistance. Of the total expenses, approximately \$1 billion, or 33 percent, were ultimately financed by taxes.

Public protection expenses increased by approximately \$317 or thirty-eight percent. Most of this increase is attributable to the public protection's share of the increased unfunded accrued actuarial liability owed to the SDCERA. In February 2002, the County Board of Supervisors adopted enhanced retirement benefits for members of SDCERA resulting in this increased obligation to SDCERA.

Public assistance expenses increased by approximately \$210 million or twenty-five percent. This was due in part to the public assistance's share of the increased unfunded accrued actuarial liability owed to the SDCERA as referred to above. Additionally, services and supplies expenses increased due to an increase in the In Home Supportive Services' individual providers' costs attributable to an increase in hourly wages and health benefits, and an increase in demand for services.

Recreational and cultural expenses increased by approximately \$5 million or thirty-one percent. This increase is attributable to an increase in salaries and benefits and other charges consisting of payments to external entities for the purchase of land for open space preservation and habitat in the Department of Parks and Recreation.

The charts on the previous page illustrate the County's governmental expenses and revenues by function and revenues by source. The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown, for governmental activities overall, without regard to program, operating grants and contributions are the largest single source of funds (45 percent). Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and Federal revenue for public assistance programs and for health and sanitation programs. General revenues such as property taxes and state sales tax and motor vehicle fees are not shown by program, but are effectively used to support program activities Countywide. State sales tax and motor vehicle fees (22 percent) and property taxes (16 percent) are the second and third largest sources of funds for the County. Public protection is the largest function in expense (35 percent), followed by public assistance (31 percent) and health and sanitation (18 percent). These ratios for revenues and expenses are substantially similar to 2002.

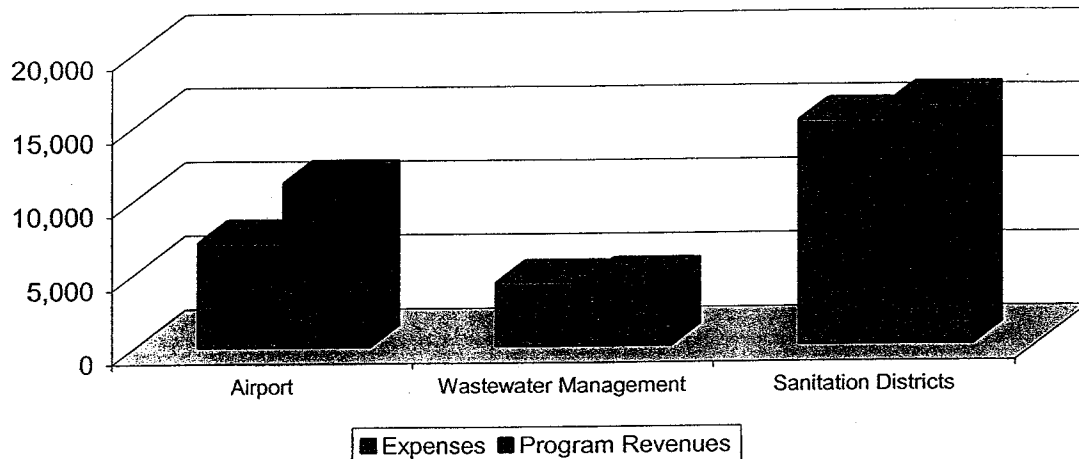
At the end of fiscal year 2002-2003, total revenue for the governmental activities was approximately \$2.9 billion, while total expenses for governmental activities were approximately \$3.3 billion.

Other factors concerning the finances of the County's major governmental funds are discussed in the Governmental Funds section of the "Financial Analysis of the County's Funds."

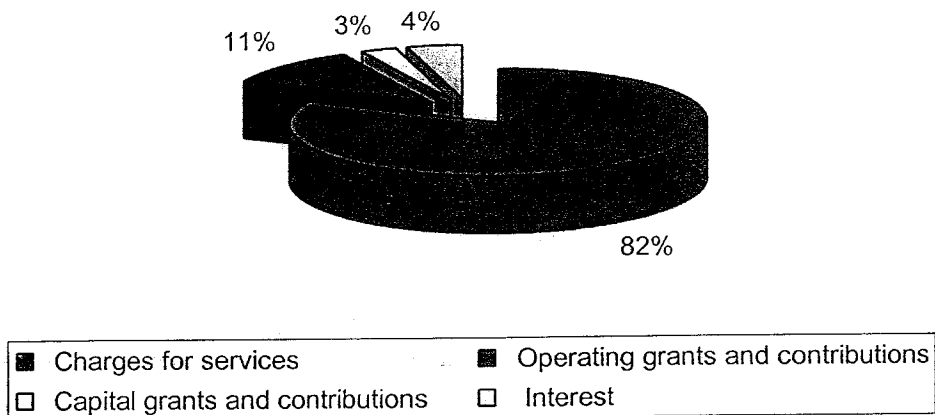
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

(Amounts Expressed in Thousands)

### Expenses and Program Revenues - Business-type Activities



### Revenues By Source - Business Activities



#### Business-type Activities

The County has three business-type activities: Airport, Wastewater Management, and Sanitation. Business-type activities increased the County's net assets by \$6,870. The total revenues and expenses were significantly less than reported in the previous fiscal year due to the divestiture of the Transit Enterprise Fund, which was effective June 28, 2002.

#### Revenue

At June 30, 2003, the total revenues including capital contributions and transfers for the business-type activities were \$33,381. In keeping with the intent of recovering all or a significant portion of their costs through user fees and charges, business-type activities reported charges for services as their largest source of revenue (82%). Operating grants and contributions as well as capital grants and contributions were the other program revenue sources for the business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**(Amounts Expressed in Thousands)**

Expenses

At the end of fiscal year 2002-2003, the business-type activities reported total expenses of \$26,698. The program revenues (charges for services, operating grants and contributions, and capital grants and contributions) financed all expenses recorded for the business-type activities.

As shown in the charts above, for all of the business-type activities, charges for services provide the largest share of revenues (82 percent) followed by operating grants and contributions (11 percent). For fiscal year 2002-2003, the largest of the County's business-type activities was the Sanitation Districts with total expenses over \$15 million, comprising over fifty percent of the total business activities.

Other factors concerning the finances of the County's enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted above, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Major Governmental Funds reported by the County include the General Fund, Tobacco Securitization Special Revenue Fund and the Tobacco Securitization Joint Special Revenue Fund. Nonmajor Governmental Funds include Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of fiscal year 2002-2003, the County's governmental funds reported combined ending fund balances of \$1.35 billion, a decrease of \$23 million in comparison with the prior year restated fund balance. Approximately \$846 million of the total June 30, 2003 amount constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$140 million), (2) for inactive landfill maintenance (\$92 million), (3) to pay debt service (\$72 million), and (4) for a variety of other purposes (\$201 million).

Revenues for governmental functions overall totaled approximately \$2.8 billion in the year ended June 30, 2003, which represents an 8% increase from the fiscal year ended June 30, 2002. Expenditures for governmental functions, totaling \$3.4 billion, a twenty-five percent increase from the fiscal year ended June 30, 2002, attributed in large part to additional costs associated with the increased unfunded accrued actuarial liability in fiscal year ended June 30, 2003 due to the Board of Supervisors' adoption of enhanced retirement benefits for members of the SDCERA.

GENERAL FUND

The General Fund is the chief operating fund of the County. At the end of fiscal year 2002-2003, the unreserved fund balance of the General Fund was approximately \$388 million, while total fund balance was approximately \$599 million, an increase of \$28 million from fiscal year 2001-2002. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents thirteen percent of total General Fund expenditures of \$2.9 billion, while total fund balance represents twenty-one percent of that same amount.

TOBACCO SECURITIZATION SPECIAL REVENUE FUND

This is a Special Revenue Fund established in fiscal year 2001-2002 to account for the \$411 million (net of closing costs and reserve requirements) the County received from the Tobacco Asset Securitization Corporation related to the sale of approximately 25 years of tobacco settlement revenue in fiscal year 2001-2002. The County will continue to invest these funds in investment products to maximize the sustained long-term use of these dollars. Revenue from use of money and property increased by approximately \$5 million, or

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **(Amounts Expressed in Thousands)**

187 percent in fiscal year 2002-2003, and is attributable in part to the investment of these monies for an entire fiscal year in fiscal year 2002-2003, as opposed to a partial year in fiscal year 2001-2002.

#### **TOBACCO SECURITIZATION JOINT SPECIAL REVENUE FUND**

This is a Special Revenue Fund established in fiscal year 2001-2002 to account for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Joint Powers Authority, two component units, that are blended into the County's financial statements.

#### **Proprietary Funds**

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds financial statements provide separate information for the Airport, Wastewater Management, and Sanitation Districts Funds, all of which are considered to be major funds of the County. Conversely, the Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements with the individual fund data provided in combining statements, which can be found in the Combining Financial Statements and Supplemental Information section of this report.

##### **Airport**

There was a slight change in the revenues and expenses of the Airport Enterprise Fund from the previous year.

- Grant revenue decreased by \$1,994 while charges for services increased by \$1,917.
- Operating expenses decreased in fiscal year 2002-2003 due to a reduction in depreciation expense.

##### **Wastewater Management**

There was a slight change in the revenue and expenses of the Wastewater Management Enterprise Fund from the previous year.

- Total revenue decreased by \$159. Charges for services increased by \$390 while interest revenue and capital contributions decreased by \$544.
- Operating expenses increased by \$334 while operating transfers out increased by \$140.

##### **Sanitation Districts**

There was very little change in the revenues and expenses of the Sanitation Districts from the previous fiscal year.

- Charges for services remained fairly constant, however interest revenue decreased from \$2,286 reported in fiscal year 2001-2002 to \$1,294 as reported in fiscal year 2002-2003.
- Operating expenses for fiscal year 2002-2003 was reported at \$15,200, down from the \$15,288 as reported in fiscal year 2001-2002.

#### **Fiduciary Funds**

The County maintains fiduciary funds for the assets of the Pension Trust Fund, an Investment Trust, and various Agency Funds. As of the end of fiscal year 2002-2003, the net assets of the Pension Trust Fund totaled \$4.1 billion, representing an increase of \$569,768 in total net assets since June 30, 2002. The change is primarily related to contributions by the County from the proceeds of pension obligation bonds. The Investment Trust Fund's net assets totaled \$2.5 billion, with an increase in net assets of \$554,244, primarily resulting from an increase in contributions into the pooled investments relating to the proceeds from new school bond issues, offset by an increase in distributions from pooled investments relating to the use of school bond proceeds.

#### **General Fund budgetary highlights**

The County's final budget differs from the original budget in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as budget corrections and account reclassifications. At June 30, 2003, the variances between the original and final budgets for net current revenues over (under) expenditures and for other financing sources were (\$603,619) and \$513,150, respectively, for a total variance of (\$90,469) in budgeted fund balance. Significant variances were caused by:

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**(Amounts Expressed in Thousands)**

- \$737.3 million from the issuance of Taxable Pension Obligation Bonds. Bond proceeds were expended to reduce the County's unfunded actuarial accrued liability to SDCERA.
- \$36.1 million in capital projects, including \$12.2 million in parks projects and land acquisition, \$8.2 million in projects related to public safety, \$5.3 million in library projects, \$4 million in projects for San Pasqual Academy and the Polinsky Children's Center, and \$2.9 million to plan for the Waterfront Park. These projects were funded substantially by prior year's fund balance, management reserves, transfers of appropriations, grants, and donations from private parties.
- \$11.2 million in increased payments for salaries and benefits. Significant changes include an increase of \$14 million in incentives earned through the County's Quality First program. The Department of Child Support Services had a decrease of \$2.5 million due to reduced State and Federal revenues.
- \$22.9 million in payments for services and supplies. The County appropriated an additional \$10.1 million for information technology and telecommunications, funded substantially by prior year's fund balance and management reserves. In addition the Health and Human Services Agency had net supplemental appropriations of \$11.7 million across a number of programs, due to increased fees and State and Federal revenues. The Department of Child Support Services had a net decrease of \$6 million due to reduced State and Federal revenues.
- \$30.9 million in net budget reclassifications between Federal revenues and State revenues for the Health and Human Services Agency resulted from increased budgeted Federal revenues and decreased budgeted State revenues.

Actual revenues fell short of the final budgeted amounts by \$64 million, while expenditures fell short of the budget by \$281.1 million. The combination of revenue and expenditure shortfalls resulted in a net positive operating variance of \$217.1 million. Other financing sources and uses of funds resulted in a negative variance from budget of \$11.3 million. The variance of net change in fund balance from the final budget was a positive variance of \$205.8 million. Some highlights of the actual results compared to budgeted results are:

**Salaries and Benefits.** In the current environment of uncertainty over State and Federal funding, many County functions deferred hiring staff for ongoing programs in anticipation of future budget constraints and planned increased retirement costs beginning in fiscal year 2003-2004. The total positive variance in this category is \$44.9 million Countywide.

**Health and Sanitation and Public Assistance.** A decrease in expenditures for these functions within the Health and Human Services Agency of \$91.1 million is related to reductions in service level requirements, decreased need for contracted services, and reduced aid payments. These lowered expenditures are offset by corresponding reductions in Federal and State revenue.

**Strong real estate markets.** The real estate markets in San Diego County have been robust for several years due to low interest rates and high demand for residential real estate. Originally projected to begin to show weakness in fiscal year 2002-2003, this segment of the economy contributed to positive variances in several revenue categories, including \$12.7 million in property and other taxes and \$8 million in charges for document and recording services, as part of the overall positive variance in changes for current services of \$11.8 million.

**Delayed expenditures.** The budget included \$12 million in appropriations related to debt management, including \$7 million to commence a program of long-term debt prepayment. With the uncertainty surrounding funding sources from the State and in order to maintain flexibility for one-time resources, no prepayment was made. In addition, Information Technology and other multi-year projects experienced delays, including \$7.7 million in unspent appropriations for County-wide Enterprise Resource Planning projects and \$5.9 million for the Sheriff's Department.

**Reserves.** The County reserves from prior years' fund balance decreased by \$4.9 million. Primarily this was attributed to changes in reserve for encumbrances, which decreased from \$98.7 million in fiscal year 2001-2002 to \$94.6 million in fiscal year 2002-2003.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
(Amounts Expressed in Thousands)

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2003, the County's capital assets for both the governmental and business-type activities amounted to approximately \$2.7 billion net of accumulated depreciation. The investment in capital assets includes land, construction in progress, structures and improvements, equipment, and infrastructure (including roads, bridges, flood channels, and traffic signals). The significant expenditures for capital assets in fiscal year 2002-2003 are as follows:

Governmental Activities

- \$37,868 towards the construction of and improvements to County maintained roads. These expenditures are ongoing.
- \$29,984 towards the construction of the East Mesa Juvenile Detention Facility. Total project costs are estimated at \$52,952.
- \$4,446 for the reconstruction of Edgemoor Hospital. Total project costs are estimated at \$5,690.
- \$3,460 for acquisition of Derbas real property (Escondido) for the purposes of wildlife habitat preservation and restoration.
- \$2,666 for acquisition of real property for the replacement of the Downtown Courthouse.
- \$2,605 for the North County Regional Center Courthouse Annex Remodel. Total project costs are estimated at \$5,507.
- \$2,589 towards acquisitions for the Multiple Species Conservation Program.
- \$2,325 towards the Kearny Mesa Assessor Recorder County Clerk building. Total project costs are estimated at \$6,868.
- \$2,130 towards the construction of the Spring Valley Library. Total project costs are estimated at \$3,459.
- \$1,938 towards the construction of bridges.

Business-Type Activities

- \$2,867 for the improvements at the Ramona Airport. The costs include \$1,096 for the runway extension, \$1,560 for the sewer construction which is estimated to cost a total of \$2,437, and \$214 towards the construction of the control tower which is estimated to cost a total of \$2,242.
- \$2,106 for the realignment of the taxiway at Palomar Airport. Total project costs are estimated at \$4,728.
- \$754 towards improvements in the Spring Valley Sanitation district including outfall manhole replacement, Jamacha Boulevard 8" Sewer construction, and the Whitestone Canyon sewer line upgrade. Total of all projects' costs are estimated at \$6,600.
- \$298 towards the replacement of the Galloway Pump Station Force Main in Alpine Sanitation District. Total project costs are estimated at \$2,100.
- \$260 towards the replacement of the Julian Sanitation District septic tank and aerobic digester. Total project costs are estimated at \$629.

For government-wide financial statement presentation, governmental fund depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the County's capital assets can be found in the notes to the basic financial statements.

**Long-Term Obligations**

At June 30, 2003, the County had outstanding governmental activity long-term obligations of \$1.999 billion and no outstanding general obligation bonds. Of this amount, \$395 million pertains to outstanding certificates of participation, \$41 million pertains to capital leases, and \$1.563 billion pertains to other long-term obligations that include \$824 million of taxable pension obligation bonds, \$449 million of San Diego County Tobacco Asset Securitization Corporation Bonds, \$101 million for claims and judgments, \$101 million for landfill closures, \$75.4 million for compensated absences, \$7.1 million for other loans, \$4.5 million for Redevelopment Agency revenue bonds, and approximately \$1 million for arbitrage rebate.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
(Amounts Expressed in Thousands)

Long-term obligations for business-type activities totaled \$494 thousand and consisted of \$299 thousand for compensated absences and \$195 thousand for a long-term contract payable in the Spring Valley Sanitation District.

During fiscal year 2002-2003, the County's total principal amount of long-term obligations for governmental activities increased by approximately \$496 million. The increase is due primarily to the County of San Diego's issuance of \$737.3 million of Taxable Pension Obligation Bonds. The general long-term obligations for the business-type activities increased by approximately \$17 thousand.

The County's credit ratings on its bonded program are as follows:

	Moody's	Standard & Poor's	Fitch Ratings
Certificates of Participation	A1	AA-	AA-
Pension Obligation Bonds			
1994 Series A	Aa3	AA-	Not rated
2002 Series A, B & C	Aa3	AA-	AA-

In addition, the County has an Underlying General Obligation rating of Aa2 from Moody's and an Issuer Creditor Rating of AA from Standard & Poor's. These ratings reflect the County's favorable general credit characteristics, which include a strong local economy, a sound financial position and a moderate debt profile. However, on October 2002, Moody's placed a negative outlook on all California county debt (except San Francisco). This is a result of the State of California's pending decision to divert revenue from local governments due to any budget shortfall.

Useful bond ratios to management, citizens, and investors are as follows:

	Fiscal Year 2003	Fiscal Year 2002
Net Bonded Debt	\$1,191,754	\$690,308
Net Bonded Debt per Capita	\$402	\$237
Ratio of Net Bonded Debt to Assessed Value	.51 percent	.32 percent

In March of 2002, the County implemented a new enhanced retirement package resulting in the increased unfunded accrued actuarial liability to the SDCERA. In October 2002, the County issued \$737.3 million of taxable Pension Obligation Bonds to finance a portion of this liability.

Additional information about the County's long-term obligations can be found in the notes to the basic financial statements.

**Economic factors and next year's budget and rates**

- The fiscal year 2003-2004 General Fund budget utilized \$149.2 million out of \$388 million in unreserved fund balance. Fund balance is used as a source of funds for one-time items.
- The development of the fiscal year 2003-2004 budget was based on expectations for demand for services and availability of funding to support those services. Three related factors pose significant negative risks to our expectations: the State of California's budget crisis; the continuing weakness of the State's economy; and, the political and budgetary uncertainty brought on by the October 7, 2003 recall of Governor Davis.
  - The U.S. and California economies continue to give mixed signals regarding solid growth. The San Diego economy, however, continues to show positive but slow growth (i.e., gross regional product at 7.7% for 2000, at 2.6% for 2001, at 2.4% for 2002, and at 3.3% for 2003).

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**(Amounts Expressed in Thousands)**

- The State of California's budget crisis, which began in fiscal year 2001-2002, is fueled largely by a decline in taxable income. The decline in taxable income is directly related to the weakened economy and the huge stock market declines that occurred beginning in March, 2000. The State also faces legal challenges to debt financing a portion of its revenue shortfall. Counties, as agents of the State, rely heavily on State revenues to fund locally provided programs. Further, the State has taken action in the past which has intertwined State revenues with local discretionary revenues. (See discussion on Vehicle License Fees below.) The State's budget crisis is not likely to be resolved soon. The Legislative Analyst's Office has estimated a budget shortfall of approximately \$7.8 billion for fiscal year 2004-2005 assuming the deficit financing plan for fiscal year 2003-2004 succeeds.
- The Governor Elect took office in November 2003 and must balance campaign promises with the fiscal and legal realities facing State government.
- The County's general purpose revenues, with the exception of vehicle license fees (VLF), (i.e., property tax, sales tax, real property transfer tax, transient occupancy tax and other minor revenues) continue to perform well. Specifically:
  - The largest source of general purpose revenues is property taxes representing 55% of the total. Property taxes have not been directly impacted by weakness in the State economy. In contrast to the slowdown in the job market, demand for housing, boosted by low interest rates, has remained strong as attested to by significant increases in property values. Property taxes for fiscal year 2003-2004 are expected to exceed fiscal year 2002-2003 actuals by 7.8%.
  - VLF revenue is budgeted at a level 2.2% greater than the actual for fiscal year 2002-2003 and makes up 30% of general purpose revenues. However, the actual fiscal year 2003-2004 VLF revenues will be significantly below the fiscal year 2002-2003 level due to State policy actions. Specifically, in 1998, the State reduced the VLF paid by the vehicle owners and backfilled the revenue loss to counties and cities from State general funds. The fiscal year 2003-2004 State Budget eliminated the VLF backfill and reinstated the 2% license fee to vehicle owners. The VLF backfill was eliminated for the entire fiscal year, but the reinstatement of the 2% fee was made effective October 1, 2003, in order to give the Department of Motor Vehicles sufficient time to reprogram its computer system. The County anticipates a shortfall of approximately \$31 million as a result of this three-month funding gap. In addition, the State has chosen to keep the Realignment Program whole with respect to the portion funded by VLF. That decision means the loss of an additional \$7.5 million to the County's general purpose VLF revenue for a total of \$38.5 million less than the \$195 million budgeted in fiscal year 2003-2004. This revenue loss will be made up through a combination of over-realized revenues in other general purpose revenue categories (as available), savings in departmental operations and unappropriated fund balance from fiscal year 2002-2003.
  - Sales tax, approximately 3.1% of general purpose revenues, has been more sensitive to the slowdown. It was budgeted conservatively at 2% below fiscal year 2002-2003 actuals but 6.8% above the fiscal year 2002-2003 budgeted level.
  - The real property transfer tax makes up about 2.6% of the general purpose revenues. It is based on the dollar value of property sales and has been favorably impacted by the active real estate markets in the current environment of low interest rates. This revenue, too, was budgeted conservatively at 20% below fiscal year 2002-2003 actuals, but 6.5% above the fiscal year 2002-2003 budgeted level.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, San Diego, California 92101.



## Basic Financial Statements

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## STATEMENT OF NET ASSETS

June 30, 2003

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	First 5 Commission
<b>ASSETS</b>				
Current assets:				
Equity in pooled cash and investments	\$ 792,586	70,910	863,496	152,091
Cash with fiscal agent	609,772		609,772	
Collections in transit	7,538	3	7,541	
Imprest cash	533	2	535	
Investments	2		2	
Accounts and notes receivable	325,359	1,696	327,055	7,989
Taxes receivable, net	15,983		15,983	
Internal balances	(106)	106		
Advances to other funds		9,494	9,494	
Inventory of materials and supplies	9,725		9,725	
Deposits with others	487		487	
Prepaid items	8		8	
<b>Total current assets</b>	<b>1,761,887</b>	<b>82,211</b>	<b>1,844,098</b>	<b>160,080</b>
Noncurrent assets:				
Restricted assets:				
Investments	45,413		45,413	
Deferred charges	54,346		54,346	
Capital assets:				
Land, construction and contracts in progress	443,649	21,307	464,956	
Other capital assets, net of depreciation	2,222,135	50,449	2,272,584	
<b>Total noncurrent assets</b>	<b>2,765,543</b>	<b>71,756</b>	<b>2,837,299</b>	
<b>Total assets</b>	<b>4,527,430</b>	<b>153,967</b>	<b>4,681,397</b>	<b>160,080</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	75,000	1,616	76,616	1,852
Accrued payroll	38,475	178	38,653	
Amount due for tax & revenue anticipation notes	139,039		139,039	
Accrued interest	25,492		25,492	
Advances from other funds	9,494		9,494	
Deferred revenue	52,672	12	52,684	
Current portion of long-term obligations	93,932	30	93,962	
<b>Total current liabilities</b>	<b>484,104</b>	<b>1,836</b>	<b>485,940</b>	<b>1,852</b>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	1,905,171	464	1,905,635	
<b>Total noncurrent liabilities</b>	<b>1,905,171</b>	<b>464</b>	<b>1,905,635</b>	
<b>Total liabilities</b>	<b>2,389,275</b>	<b>2,300</b>	<b>2,341,575</b>	<b>1,852</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,261,697	71,293	2,332,990	
Restricted for:				
Capital projects	132	15	147	
Debt service	88,530		88,530	
Inactive landfill maintenance	92,218		92,218	
Other purposes	62,935		62,935	
Unrestricted	(317,357)	80,359	(236,998)	158,228
<b>Total net assets</b>	<b>\$ 2,188,155</b>	<b>151,667</b>	<b>2,339,822</b>	<b>158,228</b>

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2003**  
(In Thousands)

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 234,062	121,070	1,190	5,347
Public protection	1,140,484	170,221	163,817	24,711
Public ways and facilities	142,356	19,017	51,577	
Public assistance	1,035,065	7,338	819,795	
Health and sanitation	598,189	83,629	250,030	
Recreational and cultural	23,520	5,426	459	10,032
Education	30,850	2,159	1,298	497
Interest expense	87,627			
Total governmental activities	3,292,153	409,360	1,288,166	40,587
Business-type activities:				
Airport	7,125	7,396	3,769	
Wastewater Management	4,357	4,496		6
Sanitation Districts	15,216	15,444		833
Total business-type activities	26,698	27,336	3,769	839
Total primary government	3,318,851	436,696	1,291,935	41,426
Component unit:				
First 5 Commission	24,016		39,116	
Total component unit	24,016		39,116	

## General revenues:

## Taxes:

Property taxes

Franchise taxes

State sales tax and motor vehicle fees

Interest

Special item - gain on sale of properties

Transfers

**Total general revenues, special item, and transfers**

Change in net assets

Net assets - beginning (restated)

**Net assets - ending**

(Cont)

Financial Report of San Diego County

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2003  
(In Thousands)

(Cont)

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	First 5 Commission	Functions/Programs
<b>Primary government:</b>				
Governmental activities:				
(106,455)		(106,455)		General government
(781,735)		(781,735)		Public protection
(71,762)		(71,762)		Public ways and facilities
(207,932)		(207,932)		Public assistance
(264,530)		(264,530)		Health and sanitation
(7,603)		(7,603)		Recreational and cultural
(26,896)		(26,896)		Education
(87,627)		(87,627)		Interest expense
(1,554,540)		(1,554,540)		Total governmental activities
Business-type activities:				
	4,040	4,040		Airport
	145	145		Wastewater Management
	1,061	1,061		Sanitation Districts
	5,246	5,246		Total business-type activities
(1,554,540)	5,246	(1,549,294)		Total primary government
Component Unit:				
			15,100	First 5 Commission
			15,100	Total component unit
General revenues:				
Taxes:				
\$ 459,340		459,340		Property taxes
3,964		3,964		Franchise taxes
636,225		636,225		State sales tax and motor vehicle fees
30,213	1,437	31,650	3,873	Interest
474	27	501		Special item - gain on sale of properties
(160)	160			Transfers
1,100,056	1,624	1,101,680	3,873	Total general revenues, special item, and transfers
(424,484)	6,870	(417,614)	18,973	Change in net assets
2,612,639	144,797	2,757,436	139,255	Net assets - beginning (restated)
\$ 2,188,155	151,667	2,339,822	158,228	Net assets - ending



**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2003**  
**(In Thousands)**

	General Fund	Tobacco Securitization Special Revenue Fund	Tobacco Securitization Joint Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND OTHER DEBITS</b>					
Equity in pooled cash and investments	\$ 355,746	332		265,081	621,159
Cash with fiscal agent	150,719	374,982	54,998	29,073	609,772
Collections in transit	6,996			258	7,254
Imprest cash	314			17	331
Investments	2				2
Taxes receivable	15,983				15,983
Accounts and notes receivable	164,901	889	382	114,018	280,190
Due from other funds	203,886	5		31,347	235,238
Advances to other funds	689			417	1,106
Inventory of materials and supplies	6,748			2,098	8,846
Deposits with others				487	487
Prepaid items				8	8
<b>Restricted assets:</b>					
Investments				45,413	45,413
<b>Total assets</b>	<b>905,984</b>	<b>376,208</b>	<b>55,380</b>	<b>488,217</b>	<b>1,825,789</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	42,361			13,213	55,574
Accrued payroll	35,347			2,101	37,448
Amount due for tax and revenue anticipation notes	139,039				139,039
Due to other funds	23,476	7,934		126,213	157,623
Advances from other funds				11,232	11,232
Deferred revenue	67,100			6,986	74,086
<b>Total liabilities</b>	<b>307,323</b>	<b>7,934</b>		<b>159,745</b>	<b>475,002</b>
<b>Fund balances:</b>					
Reserved for encumbrances	94,617			45,061	139,678
Reserved for notes receivable and advances	7,551			30,331	37,882
Reserved for deposits with others				1,055	1,055
Reserved for inactive landfill maintenance				92,218	92,218
Reserved for inventory of materials and supplies	6,748			319	7,067
Reserved for debt service			41,813	30,020	71,833
Reserved for other purposes	101,361		13,567	40,359	155,287
<b>Unreserved:</b>					
Designated for subsequent years' expenditures	119,421				119,421
Undesignated	268,963	368,274			637,237
<b>Unreserved, reported in nonmajor:</b>					
Special revenue funds				79,338	79,338
Capital projects funds				9,771	9,771
<b>Total fund balances</b>	<b>598,661</b>	<b>368,274</b>	<b>55,380</b>	<b>328,472</b>	<b>1,350,787</b>
<b>Total liabilities and fund balances</b>	<b>\$ 905,984</b>	<b>376,208</b>	<b>55,380</b>	<b>488,217</b>	<b>1,825,789</b>

The notes to the basic financial statements are an integral part of this statement

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2003  
(In Thousands)**

Total fund balances-governmental funds	\$1,350,787
Pension obligation bonds originally issued in 1994 were partially refunded through the issuance of new pension obligation bonds in 2002. These costs represent the deferred costs on the refunded debt. These costs are to be capitalized and amortized over the remaining life of the 1994 pension obligation bonds.	17,590
Bond discounts are expended in governmental funds in the year of sale and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.	10,275
Costs of issuances are reported as expenditures in governmental funds and thus have the effect of reducing fund balance because current financial resources have been used. In the government-wide statements however, bond issuance costs are reported as a deferred charge and amortized over the life of the bond issue.	26,481
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.	2,566,515
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(25,478)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.	30,020
Liabilities for long-term debt are not accrued in governmental funds, but rather are recognized as an expenditures when due.	(7,686)
Bond premiums are recognized as revenue in governmental funds in the year of sale and are recorded as a liability and amortized over the life of the corresponding bonds.	(633)
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, current and long-term, are recorded in the statement of net assets.	(1,895,579)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individuals funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	115,863
<b>Net assets of governmental activities</b>	<b>\$2,188,155</b>

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
Year Ended June 30, 2003  
(In Thousands)

	General Fund	Tobacco Securitization Special Revenue Fund	Tobacco Securitization Joint Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 396,415			50,420	446,835
Licenses, permits and franchises	28,840			10,495	39,335
Fines, forfeitures and penalties	36,246			4,990	41,236
Revenue from use of money and property	16,691	7,841	3,071	13,130	40,733
Aid from other governmental agencies:					
State	709,693			522,211	1,231,904
Federal	533,562			98,679	632,241
Other	49,853			16,263	66,116
Charges for current services	243,125			23,449	266,574
Other revenue	25,389		35,444	9,232	70,065
<b>Total revenues</b>	<b>2,639,814</b>	<b>7,841</b>	<b>38,515</b>	<b>748,869</b>	<b>2,865,039</b>
<b>Expenditures:</b>					
Current:					
General	192,720		113	17,041	209,874
Public protection	1,123,518			21,653	1,145,171
Public ways and facilities	21,855			101,347	123,202
Health and sanitation	569,914			30,611	600,525
Public assistance	945,562			91,905	1,037,467
Education	6,649			24,364	31,013
Recreational and cultural	19,884			921	20,805
Capital outlay				83,748	83,748
Debt service:					
Principal			9,560	79,286	88,846
Interest	12,735		25,351	35,661	73,747
<b>Total expenditures</b>	<b>2,892,837</b>		<b>35,024</b>	<b>486,737</b>	<b>3,414,598</b>
Excess of revenues over (under) expenditures	(853,023)	7,841	3,491	262,332	(579,359)
<b>Other financing sources (uses):</b>					
Sale of capital assets	11			463	474
Long term debt proceeds	560,450			436	560,886
Refunding bonds issued	176,890				176,890
Payment to refunded bond escrow agent	(176,890)				(176,890)
Transfers in	478,806			290,191	768,997
Transfers (out)	(156,879)	(26,949)		(589,317)	(773,145)
<b>Total other financing sources (uses)</b>	<b>882,388</b>	<b>(26,949)</b>		<b>(298,727)</b>	<b>557,212</b>
Excess of revenues over (under) expenditures and other financing sources (uses)	29,365	(19,108)	3,491	(35,895)	(22,147)
<b>Fund balances - beginning of year (restated)</b>	<b>570,352</b>	<b>387,382</b>	<b>51,889</b>	<b>364,305</b>	<b>1,373,928</b>
Increase (decrease) in:					
Reserve for inventory of materials and supplies	(1,056)			62	(994)
<b>Fund balances - end of year</b>	<b>\$ 598,661</b>	<b>368,274</b>	<b>55,380</b>	<b>328,472</b>	<b>1,350,787</b>

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2003  
(In Thousands)**

Net change in fund balances-total governmental funds	(\$22,147)
Governmental funds accrue property tax revenue, which is deemed collectible within sixty days. However, in the statement of activities the total amount estimated to ultimately be collected is accrued.	12,658
Adjustment for reserve for inventory of materials and supplies.	(994)
Long-term revenues are not available as current resources, and therefore are not reported as revenue in the governmental funds.	(1,138)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	36,710
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service fund's costs for the year.	23,098
Under the modified accrual basis of accounting used in the governmental funds, expenditures for the County's long term obligations for capital leases, claims and judgments, accumulated unpaid employee leave balances, loans and arbitrage rebate, are not recognized until they mature. In the statement of activities however, they are reported as expenses and liabilities as they accrue.	(3,411)
Bond issuance costs are expended in governmental funds in the year of sale and are capitalized and amortized over the life of the corresponding bonds for purpose of the statement of net assets.	16,539
Repayment of bond principal as well as refunding of bonds which are considered a repayment of principal are reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's long term debt was reduced by the amount of principal payments made to bond holders.	88,846
Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for bonds and notes payable and amortization of capitalized bond discounts and premiums which are expended in governmental funds in the year paid.	(13,759)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements however, issuing debt increases long-term liabilities in the statement of net assets and does not effect the statement of activities.	(560,886)
<b>Change in net assets of governmental activities</b>	<b>(\$424,484)</b>

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**June 30, 2003**

**(In Thousands)**

	<b>Business-Type Activities Enterprise Funds</b>	
	<b>Alcoholic Beverages</b>	<b>Waste Water Management</b>
<b>ASSETS</b>		
Current assets:		
Equity in pooled cash and investments	\$ 4,717	1,705
Collections in transit	3	
Imprest cash	1	1
Accounts and notes receivable	1,177	1
Due from other funds	820	642
Advances to other funds	9,637	
Inventory of materials and supplies		
<b>Total current assets</b>	<b>16,355</b>	<b>2,349</b>
Capital assets:		
Land	6,401	20
Construction and contracts in progress	11,895	
Buildings and equipment	28,715	905
Infrastructure		
Less accumulated depreciation	(18,194)	(457)
<b>Total noncurrent assets</b>	<b>28,817</b>	<b>888</b>
<b>Total assets</b>	<b>\$ 45,172</b>	<b>3,237</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,453	8
Accrued payroll	71	107
Accrued interest		
Due to other funds	318	127
Claims and judgments		
Advances from other funds		
Compensated absences	12	18
Deferred revenue	12	
Bonds, notes and loans payable		
<b>Total current liabilities</b>	<b>1,866</b>	<b>260</b>
Noncurrent liabilities:		
Compensated absences	108	161
Claims and judgments		
Bonds, notes and loans payable		
<b>Total long-term liabilities</b>	<b>108</b>	<b>161</b>
<b>Total liabilities</b>	<b>1,974</b>	<b>421</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	28,817	468
Restricted for:		
Capital projects		
Other purposes		
Unrestricted	14,381	1,928
<b>Total net assets</b>	<b>\$ 43,198</b>	<b>2,396</b>

(Cont)

The notes to the basic financial statements are an integral part of this statement

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2003**  
**(In Thousands)**

	<b>Business-Type Activities</b>		(Cont)
	<b>Enterprise Funds</b>		<b>Governmental Activities</b>
	<b>Sanitation Districts</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 64,488	70,910	171,427
Collections in transit		3	284
Imprest cash		2	202
Accounts and notes receivable		1,178	3,178
Due from other funds	285	1,747	19,127
Advances to other funds	135	9,772	632
Inventory of materials and supplies			879
<b>Total current assets</b>	<b>64,908</b>	<b>83,612</b>	<b>195,729</b>
Capital assets:			
Land	1,069	7,490	
Construction and contracts in progress	1,922	13,817	44,768
Buildings and equipment	2,181	31,801	101,377
Infrastructure	63,063	63,063	
Less accumulated depreciation	(25,764)	(44,415)	(46,876)
<b>Total noncurrent assets</b>	<b>42,471</b>	<b>71,756</b>	<b>99,269</b>
<b>Total assets</b>	<b>107,379</b>	<b>155,368</b>	<b>294,998</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	155	1,616	19,426
Accrued payroll		178	1,027
Accrued interest			14
Due to other funds	597	1,042	54,938
Claims and judgments			32,578
Advances from other funds	278	278	
Compensated absences		30	207
Deferred revenue		12	287
Bonds, notes and loans payable			860
<b>Total current liabilities</b>	<b>1,030</b>	<b>3,156</b>	<b>109,537</b>
Noncurrent liabilities:			
Compensated absences		269	1,869
Claims and judgments			68,010
Bonds, notes and loans payable	195	195	
<b>Total long-term liabilities</b>	<b>195</b>	<b>464</b>	<b>69,879</b>
<b>Total liabilities</b>	<b>1,225</b>	<b>3,620</b>	<b>179,416</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	42,008	71,293	98,270
Restricted for:			
Capital projects	15	15	
Other purposes			
Unrestricted	64,131	80,440	17,512
<b>Total net assets</b>	<b>\$ 106,154</b>	<b>151,748</b>	<b>115,782</b>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities			
<b>Net assets of business-type activities</b>		<b>(81)</b>	
		<b>\$ 151,667</b>	

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2003  
(In Thousands)**

	Business-Type Activities Enterprise Funds	
	Airport	Wastewater Management
<b>OPERATING REVENUES</b>		
Charges for services	\$ 7,396	4,496
Miscellaneous		
<b>Total operating revenue</b>	<b>7,396</b>	<b>4,496</b>
<b>OPERATING EXPENSES</b>		
Salaries	2,020	2,659
Repairs and maintenance	455	110
Equipment rental	521	357
Sewage processing		
Contracted services	2,732	917
Depreciation	769	26
Utilities	166	8
Cost of material		
Claims and judgments		
Fuel		
Other operating expenses	469	192
<b>Total operating expenses</b>	<b>7,132</b>	<b>4,269</b>
<b>Operating income</b>	<b>264</b>	<b>227</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and dividends	108	30
Grants	3,769	
Interest expense		
Other nonoperating revenue		
Gain (loss) on disposal of equipment	33	
<b>Total nonoperating revenues (expenses)</b>	<b>3,910</b>	<b>30</b>
<b>Income before contributions and transfers</b>	<b>4,174</b>	<b>257</b>
<b>Capital contributions</b>		<b>6</b>
<b>Transfers in</b>	<b>740</b>	
<b>Transfers (out)</b>	<b>(440)</b>	<b>(140)</b>
<b>Change in net assets</b>	<b>4,474</b>	<b>123</b>
<b>Total net assets - beginning</b>	<b>38,724</b>	<b>2,273</b>
<b>Total net assets - ending</b>	<b>\$ 43,198</b>	<b>2,396</b>

(Cont)

The notes to the basic financial statements are an integral part of this statement

Financial Report of San Diego County

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2003  
(In Thousands)

	Business-Type Activities Enterprise Funds		Governmental Activities - Internal Service Funds
	Sanitation Districts	Total	
(Cont)			
<b>OPERATING REVENUES</b>			
Charges for services	\$ 15,444	27,336	294,247
Miscellaneous			2,782
<b>Total operating revenue</b>	<b>15,444</b>	<b>27,336</b>	<b>297,029</b>
<b>OPERATING EXPENSES</b>			
Salaries		4,679	26,976
Repairs and maintenance	2,351	2,916	20,662
Equipment rental		878	1,433
Sewage processing	10,161	10,161	
Contracted services		3,649	125,679
Depreciation	1,293	2,088	9,542
Utilities		174	19,087
Cost of material			36,696
Claims and judgments			32,578
Fuel			4,934
Other operating expenses	1,395	2,056	8,613
<b>Total operating expenses</b>	<b>15,200</b>	<b>26,601</b>	<b>286,401</b>
<b>Operating income</b>	<b>244</b>	<b>735</b>	<b>11,628</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and dividends	1,294	1,432	759
Grants		3,769	
Interest expense	(16)	(16)	(121)
Other nonoperating revenue	5	5	
Gain (loss) on disposal of equipment	(6)	27	(185)
<b>Total nonoperating revenues (expenses)</b>	<b>1,277</b>	<b>5,217</b>	<b>453</b>
<b>Income before contributions and transfers</b>	<b>1,521</b>	<b>5,952</b>	<b>12,081</b>
<b>Capital contributions</b>	<b>833</b>	<b>839</b>	<b>7,872</b>
<b>Transfers in</b>		<b>740</b>	<b>7,438</b>
<b>Transfers (out)</b>		<b>(580)</b>	<b>(3,450)</b>
<b>Change in net assets</b>	<b>2,354</b>	<b>6,951</b>	<b>23,141</b>
Total net assets - beginning	103,800		92,640
<b>Total net assets - ending</b>	<b>\$ 106,154</b>		<b>\$ 115,781</b>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.

Change in net assets of business-type activities	(81)
	\$ 6,870



**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2003  
(In Thousands)**

	Business-Type Activities		
	Enterprise Funds		
	Airports	Wastewater Management	Transit
Cash flows from operating activities:			
Cash received from customers	\$ 8,460	4,443	640
Other receipts			
Cash received from other funds	130		
Cash payments to suppliers	(2,562)	(353)	(3,625)
Cash payments to employees	(2,012)	(2,638)	
Cash payments to other funds	(1,986)	(1,147)	(167)
Net cash provided (used) by operating activities	2,030	305	(3,152)
Cash flows from non-capital financing activities:			
Property taxes			
Transfers from (to) other funds	(445)	(140)	
Advances from (to) other funds			
Net cash provided (used) by non-capital financing activities	(445)	(140)	
Cash flows from capital and related financing activities:			
Loans from other funds	414		
Loan to other funds	91		
Grant revenue	7,434		
Acquisition of capital assets	(5,382)		
Capital contributions			
Proceeds from sale of equipment			
Principal paid on long-term debt			
Interest paid on long-term debt			
Net cash provided (used) by capital and related financing activities			
Cash flows from investing activities:			
Interest	111	50	20
Net increase (decrease) in cash and cash equivalents	4,258	215	(6,132)
Cash and cash equivalents - beginning of year	468	1,490	3,132
Cash and cash equivalents - end of year	4,726	1,705	(2,999)
Reconciliation of operating income:			
Operating income	264	227	
Adjustments to reconcile:			
Inc (dec) in compensated absences	18	4	
Inc (dec) in accrued payroll	(1)	18	
Inc (dec) in due to other funds	(124)	41	(167)
Inc (dec) in accounts payable	(159)	4	(3,625)
Inc (dec) in claims and judgments			
Dec (inc) in accounts receivable	1,064		615
Dec (inc) in inventory	69	38	
Dec (inc) in deferred credits			
Dec (inc) in due from other funds	130	(53)	25
Dec (inc) in other current assets			
Depreciation	769	26	
Net cash provided (used) by operating activities	\$ 2,030	305	(3,152)
Non-cash investing and capital financing activities:			
Accrued interest	\$ 3	20	

(Cont)

The notes to the basic financial statements are an integral part of this statement

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2003  
(In Thousands)

(Cont)

	Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Funds
	Sanitation Districts	Total	
Cash flows from operating activities:			
Cash received from customers	\$ 15,063	28,606	311,059
Other receipts		130	287
Cash received from other funds		(17,286)	(279,939)
Cash payments to suppliers	(10,746)	(4,650)	(26,837)
Cash Payments to employees	(2,652)	(5,952)	(16,388)
Cash payments to other funds			
Net cash provided (used) by operating activities	1,665	848	(11,818)
Cash flows from non-capital financing activities:			
Property taxes	5	5	
Transfers from (to) other funds		(585)	3,923
Advances from (to) other funds	(18)	(18)	(373)
Net cash provided (used) by non-capital financing activities	(13)	(598)	3,550
Cash flows from capital and related financing activities:			
Loans from other funds		414	
Loan to other funds		91	
Grant revenue		7,434	
Acquisition of capital assets	(2,312)	(7,694)	(20,710)
Capital contributions	833	833	7,142
Proceeds from sale of equipment			686
Principal paid on long-term debt	(5)	(5)	(2,694)
Interest paid on long-term debt	(16)	(16)	(156)
Net cash provided (used) by capital and related financing activities	(1,490)	1,057	(15,732)
Cash flows from investing activities:			
Interest	1,456	1,637	851
Net increase (decrease) in cash and cash equivalents	1,608	2,944	(23,149)
Cash and cash equivalents - beginning of year	62,880	67,970	195,063
Cash and cash equivalents - end of year	64,488	70,914	171,914
Reconciliation of operating income:			
Operating income	244	735	10,829
Adjustments to reconcile:			
Inc (dec) in compensated absences		22	95
Inc (dec) in accrued payroll		17	56
Inc (dec) in due to other funds	534	284	(5,083)
Inc (dec) in accounts payable	(25)	(3,805)	(38,272)
Inc (dec) in claims and judgments			2,795
Dec (inc) in accounts receivable		1,679	546
Dec (inc) in inventory		107	1,040
Dec (inc) in deferred credits			287
Dec (inc) in due from other funds	(381)	(279)	6,334
Dec (inc) in other current assets			13
Depreciation	1,293	2,088	9,542
Net cash provided (used) by operating activities	1,665	848	(11,818)
Non-cash investing and capital financing activities:			
Accrued interest	\$ 162	185	92

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2003**  
**(In Thousands)**

	Person Trust Fund	Investment Trust Fund	Agency Funds
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 13,634	2,468,111	357,504
Cash with fiscal agent	237,767		8,164
Collections in transit		1,294	15,567
Imprest cash		31	5
Investments	4,240,950	103	1
Taxes receivable			194,995
Accounts receivable	45,308	29	15,322
Due from other funds	2,556	27,658	1,044
Capital assets, net	2,636		
<b>Total assets</b>	<b>4,542,851</b>	<b>2,497,226</b>	<b>592,602</b>
<b>LIABILITIES</b>			
Accounts payable	110,333		651
Due to other funds	44	8,898	64,825
Obligations under securities lending	329,126		
Due to other governments			465,390
Amount due for commercial paper notes			61,736
<b>Total liabilities</b>	<b>439,503</b>	<b>8,898</b>	<b>592,602</b>
<b>NET ASSETS</b>			
Held in trust for pension, benefits and other purposes	\$ 4,103,348	2,488,328	

The notes to the basic financial statements are an integral part of this statement

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2003**  
**(In Thousands)**

	Pension Trust Fund	Investment Trust Fund
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 616,113	
Plan members	34,666	
Contributions on pooled investments		14,687,119
<b>Total contributions</b>	<b>650,779</b>	<b>14,687,119</b>
Investment earnings:		
Net increase in fair value of investments	92,507	
Interest income	60,561	44,736
Securities lending income	5,446	
Other income	39,539	
<b>Total investment earnings</b>	<b>198,053</b>	<b>44,736</b>
Less investment expenses	43,919	
Less securities lending expenses	4,173	
Net investment earnings	149,961	
<b>Total additions</b>	<b>800,740</b>	<b>14,731,855</b>
<b>DEDUCTIONS</b>		
Benefits	222,514	
Refunds of contributions	1,451	
Distribution from pooled investments	7,007	14,177,611
<b>Total deductions</b>	<b>230,972</b>	<b>14,177,611</b>
Changes in net assets	569,768	554,244
Net assets - beginning of year	3,533,580	1,934,084
<b>Net assets - end of year</b>	<b>\$ 4,103,348</b>	<b>\$ 2,488,328</b>

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(1) Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies:

**(A) The Financial Reporting Entity**

The County of San Diego is a political subdivision of the State of California (the "State") charged with general governmental powers and governed by an elected five-member Board of Supervisors (the "Board"). The County provides a full range of general government services. As required by generally accepted accounting principles, these financial statements present the County of San Diego (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and the County Board of Supervisors is typically their governing body. They are reported as if they were part of the primary government, because they benefit the County exclusively. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. This unit is discretely presented because its Board is not substantively the same as the County's Board and it does not provide services entirely or almost entirely to the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," to determine whether the following component units should be reported as blended or discretely presented component units.

**(B) Blended Component Units**

County Service Districts – These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. These funds are included as special revenue funds.

Flood Control District – This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes and federal grants. This fund is included as a special revenue fund.

Lighting Maintenance District - This fund was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. This fund is included as a special revenue fund.

Air Pollution Control District – This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health-based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is included as a special revenue fund.

San Diego County Housing Authority – This fund accounts for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. This fund is included as a special revenue fund.

Sanitation Districts – These funds are used to account for the activities of all individual sanitation districts governed by the County Board of Supervisors. They are included as enterprise funds.

San Diego County Redevelopment Agency – This agency was established to provide a method of eliminating slums and blighted areas, improving housing, expanding employment opportunities, and providing an environment for the social, economic and psychological growth, and well-being of all citizens of the County. This agency is included in the debt service and capital projects funds.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

San Diego County Capital Asset Leasing Corporation (SANCAL) – This corporation was established to finance the acquisition of county buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the County Board of Supervisors. This corporation is included in the special revenue, debt service and capital projects funds.

San Diego County Employees' Retirement Association (SDCERA) – This fund is a legally separate entity reported as if it were part of the primary government, because it exclusively benefits the County by providing pensions for retired County employees. This fund is included in the fiduciary funds.

County of San Diego In-Home Supportive Services Public Authority (IHSS) – This fund was established to serve as the employer of record for the IHSS program which provides in-home assistance to low-income aged, blind, and disabled individuals enabling them to remain safely in their own homes and avoid institutionalization. The IHSS program is State-Mandated. This fund is included in the special revenue funds.

The San Diego County Tobacco Asset Securitization Corporation ("Corporation") – This is a separate legal nonprofit public benefit corporation created under the California Nonprofit Public Benefit Corporation Law. It was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories (see Note 5H for additional information regarding the sale by the County to the Corporation of all right, title and interest of the County to such monies). The Corporation is governed by the Board of Directors consisting of three members, two of which are employees of the County of San Diego and one independent director who is not an employee of the County.

The Tobacco Securitization Joint Powers Authority of Southern California (TSJPA) – This is a separate legal public entity created by a Joint Exercise of Powers Agreement by and between the County of San Diego and the County of Sacramento pursuant to the Government Code of the State of California. The authority's purpose is to finance a loan via the sale of bonds to the San Diego County Tobacco Asset Securitization Corporation which in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under the Purchase and Sale Agreement. The Authority is administered by the Board of Directors consisting of three members, two members which are appointed by the County of San Diego Board of Supervisors and the third member is appointed by the Sacramento County Board of Supervisors. The County changed its accounting policy from reporting the TSJPA as a discretely presented component to a blended component unit in the fiscal year. The net effect of the change increased the beginning fund balance in the Tobacco Securitization Joint Special Revenue Fund by \$51,889 and eliminated the discretely presented component unit fund balance of \$11,236.

Separate financial statements for the individual blended component units described above may be obtained by contacting the County Chief Financial Officer/Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

**(C) Discretely Presented Component Unit**

First 5 Commission of San Diego (Commission) – This fund was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County. The Commission is a separate legal entity, and the County appoints a voting majority of the Commission's board. The County is able to impose its will on the Commission, due to its ability to change the appointees. The two boards (County and Commission) are not substantively the same and the Commission does not provide services entirely or almost entirely to the County, but to the citizens instead.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

Separate financial statements for the discretely presented component unit listed above can be obtained by contacting the Chief Financial Officer/Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

**(D) Government-Wide and Fund Financial Statements**

The basic government-wide financial statements, consisting of the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of the primary government and its component units. Whenever possible, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds and nonmajor proprietary funds aggregated into two single columns.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreational and cultural. They also include capital outlay, and debt service.

The Tobacco Securitization Special Revenue Fund accounts for tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. (See Note 5H for additional information regarding the sale by the County to the Corporation of all right, title and interest of the County to such monies)

The Tobacco Securitization Joint Special Revenue Fund accounts for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Joint Powers Authority, two component units, that are blended into the County's financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

The County reports the following major proprietary (enterprise) funds:

The Airport Fund is used to account for the maintenance, operations and development of County airports. A major objective of the airport program is to purchase and develop airport property in order to create tax revenues and create jobs in the private sector.

The Wastewater Management Fund accounts for operational services and support provided to sanitation districts governed by the County Board of Supervisors.

The Sanitation District Funds are used to account for the activities of all individual sanitation districts and sewer maintenance district governed by the County Board of Supervisors.

Additionally, the County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one County department to other County departments on a cost reimbursement basis.

The Pension Trust Fund is under the control of the Board of Retirement. The fund accumulates employer and employee contributions and earnings from the fund's investments. Disbursements are made from the fund for retirements, disability and death benefits and refunds. This fund includes all assets of the retirement system.

The Investment Trust Fund accounts for the external portion of the County Treasurer's investment pool. This fund consists of school districts, special districts and funds held for other governments.

The Agency Fund maintains assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services. Any portion of the Agency Fund's assets held at fiscal year end for other County funds, are reported in those funds rather than in the Agency Fund.

**(E) Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. For purposes of not overstating the true costs and program revenues reported for the various functions, interfund activities have been eliminated from the government-wide statement of activities.

All proprietary funds, the pension trust fund and the investment trust fund are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity for the proprietary funds (i.e., total net assets) is segregated into restricted and unrestricted. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. Financial Accounting Standards Board Statements issued after November 30, 1989, are not applied in reporting proprietary fund operations.

For proprietary funds, operating activities generally relate to transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in fund net assets. Operating revenues would include charges for providing goods and services; operating expenses would include salaries and benefits, utilities, and payments to vendors and suppliers. In addition, nonoperating activities are used for any revenues or expenses that cannot be properly



**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(Amounts Expressed In Thousands)**

classified as components of operating income. Examples of nonoperating activities would include interest revenue, gain/loss on disposal of assets and capital expenses.

Governmental fund types are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers this to be one year for all items except property taxes, for which the County considers the period of availability to be sixty days. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Revenues that are accrued include property taxes, sales tax, interest, and state and federal grants and subventions. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due; and, (2) accumulated unpaid vacation, sick leave, and other employee benefits which are reported in the period due and payable rather than in the period earned by employees.

Proprietary fund types, the pension trust fund, the investment trust fund and agency funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There are no unbilled utility service receivables for the proprietary fund types.

**(F) Property Taxes**

Taxes are levied for each fiscal year on taxable real and personal property, which is situated in the County as of the preceding January 1 lien date. However, upon a change in ownership of property or completion of new construction, State law requires an accelerated recognition and taxation of changes in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing locally assessed and State assessed property secured by a lien, which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are payable in two installments, due November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30<sup>th</sup>. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, a ten dollar cost, a fifteen dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one-half percent per month starting July 1 and continuing until the end of redemption collectively, the "Redemption Amount". If taxes remain unpaid after five years on the default roll, the property becomes subject to tax sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1.

As established by the Teeter Plan, the Controller allocates to the County and other agencies 100% of the secured property taxes billed but not yet collected by the County; in return, as the delinquent property taxes and associated penalties and interest are collected, the County retains such amounts in the Agency Fund. To the extent the Agency Fund tax loss reserves are higher than required, transfers may be made to benefit the County's General Fund. The balance of the tax loss reserve as of June 30, 2003 was \$7 million, which is included in the General Fund for reporting purposes.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(G) Assets, liabilities, and net assets or equity**

**Cash and Investments**

Investments in County funds are stated at fair value. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments in the Pension Trust Fund are reported at cost, which approximates fair value. The fair value of Pension Trust Fund real estate investments is based on independent appraisals. Investments of the Pension Trust Fund that do not have an established market are reported at estimated fair value.

For purposes of reporting cash flows, all amounts reported as "Equity in pooled cash and investments," "Collections in transit," and "Imprest cash" are considered cash equivalents. Pooled cash and investment carrying amounts represent monies deposited in the County Treasurer's cash management pool and are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty). Allocations of assets and liabilities to individual funds related to reverse repurchase agreements are not considered cash equivalents for purposes of cash flow reporting. For "Cash with fiscal agent" information see Note 4A.

**Inventories**

Inventories, which consist of expendable supplies, are stated at average cost. They are accounted for as expenditures at the time of purchase and reported in the balance sheet of the General Fund and the Special Revenue Funds as an asset with an offsetting reserve. Inventory held by the Road Fund, a special revenue fund, and the proprietary fund types is carried at average cost and is expended when consumed.

**Capital Assets**

Capital assets are recorded as expenditures in the fund financial statements for the governmental fund types at time of purchase. These assets are capitalized at cost in the statement of net assets. In the case of acquisitions through gifts or contributions, such assets are recorded at fair market value at the time received. Capitalization thresholds are as follows:

Structures and improvements	\$50
Infrastructure (permanent road divisions, county service areas, sanitation and special districts)	\$25
Infrastructure (all others)	\$50
Equipment (governmental activities)	\$ 5

Depreciation is charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund types. Where applicable, the hours/miles-of-service method is used for proprietary fund type equipment. Governmental fund type depreciation is only shown in the statement of activities. Proprietary fund type depreciation is shown both in the fund statements and the statement of activities. The estimated useful lives are as follows:

Structures and improvements	50 years
Infrastructure	10-50 years
Equipment (governmental fund type)	5-20 years

**Long-Term Liabilities**

Long-term liabilities expected to be financed with resources from governmental and proprietary fund types are accounted for in the statement of net assets. Long-term liabilities of all proprietary fund types are also accounted for in the respective funds.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

Amounts recorded as accumulated leave benefits include an amount representing salary-related payments such as the employer's share of Social Security and Medicare taxes associated with payments made for such compensated absences. Accumulated leave benefits including vacation, sick leave, and compensatory time worked in the amount of approximately \$75.4 million for the governmental fund types as of June 30, 2003, is recorded in the statement of net assets. These amounts would not be expected to be liquidated from expendable available financial resources but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

**Reservation of Fund Balances**

In the fund statements, reserves represent those portions of fund balance not available for appropriation or legally segregated for a specific future use.

**(2) Stewardship, Compliance and Accountability**

**(A) Fund Deficits**

The following funds have an accumulated deficit at June 30, 2003:

Capital Projects Funds:		
San Diego County Redevelopment Agency (SDCRA)	\$	6,236
Internal Service Funds:		
Risk Financing	\$	23,943

The deficit within the SDCRA fund is due to the use of loan proceeds in advance of the receipt of benefit fees or incremental tax revenues. This deficit will be reduced in future years upon the receipt of the incremental tax revenues. The deficit in the Risk Financing fund is due to the prior years' recognition of liabilities based on actuarial studies. The County intends to reduce the deficit by focusing resources on injury prevention via a Countywide education and safety training program. The County anticipates this program will reduce the growth in the liability for new injury claims, and therefore the deficit, by 5% to 10% per year.

**(3) Reconciliation of Government-Wide and Fund Financial Statements**

**(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Total fund balance of the County's governmental funds, \$1,350,787, differs from net assets of governmental activities, \$2,188,155, reported in the statement of net assets. The difference primarily results from the long-term economic resources measurement focus and the accrual basis of accounting in the statement of net assets versus the current financial resources measurement focus and modified accrual basis of accounting in the governmental fund balance sheets.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**Balance Sheet/Statement of Net Assets**

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassi- fications and Eliminations	Statement of Net Assets Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 628,744		171,913		800,657
Cash with fiscal agent	609,772				609,772
Investments	45,415				45,415
Taxes receivable, net	15,983				15,983
Internal balances				(106)	(106)
Accounts and notes receivable	280,190		3,178	41,991	325,359
Due from other funds	235,238		19,208	(254,446)	
Advances to other funds	1,106		632	(1,738)	
Inventory of materials and supplies	8,846		879		9,725
Deferred charges and other assets	495	54,346			54,841
Capital assets		2,566,515	99,269		2,665,784
<b>Total Assets</b>	<b>1,825,789</b>	<b>2,620,861</b>	<b>295,079</b>	<b>(214,299)</b>	<b>4,527,430</b>
<b>LIABILITIES</b>					
Accounts payable	55,574		19,426		75,000
Accrued payroll	37,448		1,027		38,475
Amount due for tax & revenue anticipation notes	139,039				139,039
Accrued interest		25,478	14		25,492
Due to other funds	157,623		54,938	(212,561)	
Advances from other funds	11,232			(1,738)	9,494
Deferred credits and other liabilities	74,086	(21,701)	287		52,672
Long-term liabilities		1,895,579	103,524		1,999,103
<b>Total liabilities</b>	<b>475,002</b>	<b>1,899,356</b>	<b>179,216</b>	<b>(214,299)</b>	<b>2,339,275</b>
<b>FUND BALANCE/NET ASSETS</b>					
Total fund balances/net assets	1,350,787	721,505	115,863		2,188,155
<b>Total liabilities and fund net assets</b>	<b>\$ 1,825,789</b>	<b>2,620,861</b>	<b>295,079</b>	<b>(214,299)</b>	<b>4,527,430</b>

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

- (1) Pension obligation bonds originally issued in 1994 were partially refunded through the issuance of new pension obligation bonds in 2002. These costs represent the deferred costs on the refunded debt. These costs are to be capitalized and amortized over the remaining life of the 1994 pension obligation bonds.

Net deferred costs of refunded bonds \$ 17,590

Bond discounts are expensed in governmental funds in the year of sale and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.

Net bond discount \$ 10,275

Costs of issuances are reported as expenditures in governmental funds and thus have the effect of reducing fund balance because current financial resources have been used. In the government-wide statements, bond issuance costs are reported as a deferred charge and amortized over the life of the bond issue.

Net cost of issuance \$ 26,481

Total deferred charges and other assets \$ 54,346

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets \$ 3,443,675

Accumulated

depreciation (877,160)

Net capital assets \$ 2,566,515

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Total accrued interest \$ (25,478)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Adjustment of deferred revenue \$ 30,020

Liabilities for long-term debt are not accrued in governmental funds, but rather are recognized as expenditures when due.

Pension obligation liability \$ (7,686)

Bond premiums are recognized as revenue in governmental funds in the year of sale and are recorded as a liability and amortized over the life of the corresponding bonds.

Total bond premiums \$ (633)

Total deferred credits and other liabilities \$ 21,701

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, current and long-term, are reported in the statement of net assets. Balances at June 30, 2003 were:

Bonds and notes payable	\$(1,231,298)
Capital lease	(40,000)
Arbitrage	(752)
Compensated absences	(73,294)
Landfill closure	(101,000)
Tobacco securitization corporation debt service	(449,235)
<b>Total long term liabilities</b>	<b>\$(1,895,579)</b>

- (2) Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Costs \$ 115,863

**(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The net change in fund balances for governmental funds \$(22,147) differs from the change in net assets for governmental activities \$(424,484) reported in the statement of activities. The differences arise primarily from the long-term economic resources measurement focus and the accrual basis of accounting in the statement of activities versus the current financial resources measurement focus and modified accrual basis of accounting in the governmental funds. The effect of the differences is illustrated in the following table.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances/Statement of Activities**

	Total Governmental Funds	Long-Term Revenues/ Expenses (3)	Capital Related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
<b>Revenues:</b>						
Taxes	\$ 446,835	12,658				459,493
Licenses, permits and franchises	39,335					39,335
Fines, forfeitures and penalties	41,236					41,236
Revenue from use of money and property	40,733			760		41,493
Aid from other governmental agencies:						
State	1,231,904					1,231,904
Federal	632,241					632,241
Other	66,116					66,116
Charges for current services	266,574	(994)		21,030		286,610
Other revenue	70,065	(1,138)				68,927
<b>Total revenues</b>	<b>2,835,059</b>	<b>10,526</b>		<b>21,790</b>		<b>2,867,355</b>
<b>Expenditures:</b>						
Current:						
General	209,874		22,031	17,695	(15,538)	234,062
Public protection	1,145,171		2,255	(7,973)	1,031	1,140,484
Public ways and facilities	123,202		19,952	(798)		142,356
Health and sanitation	600,525		286	(2,622)		598,189
Public assistance	1,037,467		(308)	(3,473)	1,379	1,035,065
Education	31,013		27	(190)		30,850
Recreational and cultural	20,805		2,795	(80)		23,520
Debt service:	83,748		(83,748)			
Capital outlay						
Principal	88,846				(88,846)	
Interest	73,747			121	13,759	87,627
<b>Total expenditures</b>	<b>3,414,398</b>		<b>(36,710)</b>	<b>2,680</b>	<b>(88,215)</b>	<b>3,292,153</b>
<b>Other financing sources (uses):</b>						
Sale of capital assets	474					474
Proceeds of long term debt	560,886				(560,886)	
Operating transfers (net)	(4,148)			3,988		(160)
Refunding bonds issued	176,890				(176,890)	
Payment to refunded bond escrow agent	(176,890)				176,890	
<b>Total other financing sources (uses)</b>	<b>557,212</b>			<b>3,988</b>	<b>(560,886)</b>	<b>314</b>
<b>Net change for the year</b>	<b>\$ (22,147)</b>	<b>10,526</b>	<b>(36,710)</b>	<b>25,098</b>	<b>(472,671)</b>	<b>(424,484)</b>

Explanation of differences between governmental fund operating statements and the statement of activities:

- (3) Governmental funds accrue property tax revenue, which is deemed collectible within sixty days. However, in the statement of activities the total amount estimated to ultimately be collected is accrued.

Property Taxes	\$	12,658
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

Adjustment for reserve for inventory of materials and supplies.

Adjustment	\$	(994)
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Long-term revenues are not available as current resources, and therefore are not reported as revenue in the governmental funds.

Adjustment of deferred revenue	\$	(1,138)
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- (4) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Loss on Disposal of assets	\$	(137,345)
Capital outlay		257,539
Depreciation expense		(83,484)
Difference	\$	36,710

- (5) Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service fund's costs for the year.

Adjustments	\$	23,098
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- (6) Under the modified accrual basis of accounting used in the governmental funds, expenditures for the County's long term obligations for capital leases, claims and judgments, accumulated unpaid employee leave balances, loans and arbitrage rebate, are not recognized until they mature. In the statement of activities however, they are reported as expenses and liabilities as they accrue.

Other miscellaneous debt - public protection function	\$	(1,031)
Other miscellaneous debt - public assistance function	\$	(1,379)
Other miscellaneous debt - general function	\$	(1,001)

Bond issuance costs are expended in governmental funds in the year of sale and are capitalized and amortized over the life of the corresponding bonds for purpose of the statement of net assets.

Cost of issuance - general function	\$	16,539
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Total adjustments - general function	\$	15,538
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Repayment of bond principal as well as refunding of bonds which are considered a repayment of principal are reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's long term debt was reduced by the amount of principal payments made to bond holders.

Principal payments made	\$	88,846
Pension obligation bond proceeds - refunding	\$	176,890



**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for bonds and notes payable and amortization of capitalized bond discounts and premiums that are expended in the governmental funds in the year paid.

Accrued interest	\$ (10,734)
Amortization of bond premium	11
Amortization of bond discounts	(3,036)
Total additional interest	\$ (13,759)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Bond proceeds were received from:

Pension obligation bond proceeds – new borrowing	\$ (560,450)
Alpine capital lease proceeds	(436)
Total new borrowing	\$ (560,886)
Pension obligation bond proceeds - refunding	\$ (176,890)

#### **(4) Detailed Notes on all Funds**

##### **(A) Equity in Pooled Cash and Investments, Cash, Investments, and Obligations under Reverse Repurchase Agreements**

The County maintains a cash and investment pool that is available for use by the County as well as other agencies for which the County Treasury is the depository. The San Diego County Treasurer issues a separate annual financial report on the County Investment Pool. This report may be obtained by writing to the San Diego County Treasurer, Room 152, County Administration Center, 1600 Pacific Highway, San Diego, California, 92101 or by calling (619) 531-4743. Copies are also available on the internet at [www.sdtreastax.com](http://www.sdtreastax.com).

Each fund type's portion of this pool is displayed on the balance sheet as "Equity in pooled cash and investments." Interest earned on the pooled deposits is accrued in a pooled interest apportionment agency fund and is allocated based on the average daily cash balances of the participating funds. State law requires that interest income related to certain funds be considered income of the General Fund of the County. Such interest has been recorded as revenue in the General Fund.

"Cash with fiscal agent" represents amounts on deposit with trustees for the Air Pollution District, SANCAL, Pension Trust Fund, Housing Authority, Pension Obligation Bonds, Redevelopment Agency, Teeter Commercial Paper Notes, and for repayment of the General Fund Tax and Revenue Anticipation Notes.

"Investments," represents the Inactive Wastesite Fund investments, the Pension Trust Fund investments and stocks and bonds held for other agencies.

Deposit and investment reconciliation as reported in the basic financial statements are summarized as follows:

Deposits: At year-end the carrying amount of the County's deposits was \$27,644 consisting of \$27,252 in demand deposits and \$392 in collateralized deposits. Of the balance \$692 was covered by federal deposit insurance and \$26,952 was uncollateralized according to State statutes which require depositories having public funds on deposit to maintain a pool of securities with the agent of the depository having a market value of at least 10% in excess of the total amount of all public funds on deposit. Bank balance and carrying amount with various financial institutions (Cash with fiscal agents)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
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was \$855,703 and entirely classified as Category 1 investments. Of this amount, \$292,765 was deposited with the trustee and held in investments that are insured or registered or for which the securities are held in SDCERA and TSJPA's name. The balance of \$562,938 was held by the trustee in the County's name.

Investments: State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase and reverse repurchase agreements, medium-term notes, and negotiable certificates of deposit issued by national and state licensed or chartered banks or federal or state savings and loan associations. Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937. Statutes authorize "Prudent Expert" guidelines as to the form and types of investments which may be purchased. The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by counter party's trust department or agent in the County's name. There were no investments with a risk Category 2 at June 30, 2003. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the County's name.

	Category		Fair Value
	1	3	
Investments categorized			
Bankers acceptances	\$	89,966	89,966
Repurchase agreements	325,000	65,426	390,426
Commercial paper	1,209,825		1,209,825
US government securities	1,819,163	158,734	1,977,897
Negotiable certificates of deposit	325,275		325,275
Corporate notes	61,300		61,300
Corporate bonds	872,577		872,577
Common and preferred stock	2,077,433		2,077,433
Mutual funds		319,100	319,100
Investments held by the County for other agencies:			
US government securities	103		103
Corporate bonds	1		1
Common stock	2		2
<b>Subtotal</b>	<b>\$ 6,690,679</b>	<b>633,226</b>	<b>7,323,905</b>
Investments not categorized			
Investments held by broker dealers under security loans:			
US government securities			16,990
Corporate bonds			81,928
Common and preferred stock			204,490
Mutual funds			15,000
Real estate equity			471,348
<b>Total investments</b>			<b>\$ 8,113,661</b>

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

Reconciliation of the Statements of Net Assets to Total Investments at June 30, 2003:

	Primary Government	Fiduciary Funds	Sub-Total	Component Unit	Total
Equity in pooled cash and investments	\$ 863,496	2,839,249	3,702,745	152,091	3,854,836
Cash with fiscal agent	609,772	245,931	855,703		855,703
Collections in transit	7,541		7,541		7,541
Imprest cash	535		535		535
Investments	2	4,241,054	4,241,056		4,241,056
Restricted investments	45,413		45,413		45,413
<b>Total</b>	<b>1,526,759</b>	<b>7,326,234</b>	<b>8,852,993</b>	<b>152,091</b>	<b>9,005,084</b>
Less:					
Cash with fiscal agents					(855,703)
Collections in transit					(7,541)
Imprest cash					(535)
Deposits					(27,644)
<b>Total investments</b>					<b>\$ 8,113,661</b>

A total of \$3,827,193 of investments is reported in the Equity in pooled cash and investments fund financial statements. Fair values and estimates of fair values are provided monthly by an independent pricing agency and such values are not supported by any guarantees on the part of the pool sponsor or the pricing agency. The County and certain school districts are mandated by state statutes to participate in the County Treasurer's investment pool and represent 96 percent of the total pooled cash and investments on hand at June 30, 2003.

Reverse Repurchase Agreements: State statutes permit the County to enter into reverse repurchase agreements; that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The County had no reverse repurchase agreements outstanding at June 30, 2003.

Securities Lending Transactions: Under the provisions of State statutes, the County Treasurer lends U.S. government obligations and SDCERA lends U.S. government obligations, domestic and international bonds and equities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The County's custodial bank manages the securities lending programs for the County Treasurer and receives cash and securities as collateral pledged at 102 percent of the market value of securities lent. Fiscal agents for SDCERA manage the securities lending programs and receive cash securities pledged at 102 percent of fair value for domestic securities lent and 105 percent of the fair value of international securities lent. Additional collateral has to be provided the next business day if its value falls to 100 percent or less of the market value of the securities lent. The collateral securities cannot be pledged or sold by the County Treasurer or SDCERA unless the borrower defaults. No more than 20 percent of the Treasurer's pooled investment portfolio may be lent at one time. There is no restriction on the amount of SDCERA securities that may be lent at one time. Securities on loan at year-end are presented as unclassified in the preceding schedule of custodial credit risk and represent transactions of the SDCERA pension trust fund. At year-end, the pension trust fund has no credit risk exposure to borrowers because the amounts SDCERA owes the borrowers exceeds the amounts the borrowers owe SDCERA. The term to maturity of securities loans is generally matched with the term to maturity of the cash collateral. Such matching existed at fiscal year end.

**(B) Restricted Assets-Investments**

Certain investments have been restricted by operation of law to fund post closure landfill costs over a 30-year period. These investments are recorded in the Inactive Wastesite Special Revenue Fund.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(C) Capital Assets****Primary Government**

Capital asset activity for the year ended June 30, 2003 was as follows:

**Governmental Activities:**

	Beginning Balance at July 1, 2002	Increases	Decreases	Ending Balance at June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 250,622	16,249	(915)	265,956
Construction and contracts in progress	243,145	70,559	(136,011)	177,693
<b>Total capital assets, not being depreciated</b>	<b>493,767</b>	<b>86,808</b>	<b>(136,926)</b>	<b>443,649</b>
Capital assets, being depreciated:				
Buildings and improvements	802,072	132,919	(3,569)	931,422
Equipment	156,015	19,711	(11,834)	163,892
Road network	1,974,564	37,868		2,012,432
Bridge network	36,487	1,938		38,425
<b>Total capital assets, being depreciated</b>	<b>2,969,138</b>	<b>192,436</b>	<b>(15,403)</b>	<b>3,146,171</b>
Less accumulated depreciation for:				
Buildings and improvements	(243,663)	(22,680)	3,561	(262,782)
Equipment	(76,832)	(14,508)	10,055	(81,285)
Road network	(513,933)	(55,124)		(569,057)
Bridge network	(10,198)	(714)		(10,912)
<b>Total accumulated depreciation</b>	<b>(844,626)</b>	<b>(93,026)</b>	<b>13,616</b>	<b>(924,036)</b>
<b>Total capital assets, being depreciated, net</b>	<b>2,124,512</b>	<b>99,410</b>	<b>(1,787)</b>	<b>2,222,135</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,618,279</b>	<b>186,218</b>	<b>138,713</b>	<b>2,665,784</b>

Building and infrastructure projects are recorded as construction in progress until completion. Intangible projects such as software acquisition and implementation are recorded as contracts in progress until implementation is completed.

Depreciation expense was charged to functions of the primary government as follows:

General government	\$ 15,949
Public protection	6,021
Public ways and facilities	59,915
Health and sanitation	563
Public assistance	328
Education	56
Recreational and cultural	652
Internal Service Funds	9,542
<b>Total depreciation expense – governmental activities</b>	<b>\$ 93,026</b>

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**Business Type Activities:****Airport Enterprise Fund**

	Beginning Balance at July 1, 2002	Increases	Decreases	Ending Balance at June 30, 2003
Capital assets, not being depreciated:				
Land and improvements	\$ 6,401			6,401
Construction in progress	6,734	5,161		11,895
Total capital assets, not being depreciated	13,135	5,161		18,296
Capital assets, being depreciated:				
Buildings and equipment	28,715			28,715
Total capital assets, being depreciated	28,715			28,715
Less accumulated depreciation for:				
Buildings and equipment	(17,425)	(769)		(18,194)
Total accumulated depreciation	(17,425)	(769)		(18,194)
Total capital assets, being depreciated, net	11,290	(769)		10,521
Airport Enterprise Fund capital assets, net	\$ 24,425	4,392		28,817

**Wastewater Management Enterprise Fund**

	Beginning Balance at July 1, 2002	Increases	Decreases	Ending Balance at June 30, 2003
Capital assets, not being depreciated:				
Land and improvements	\$ 20			20
Total capital assets, not being depreciated	20			20
Capital assets, being depreciated:				
Buildings and equipment	898	7		905
Total capital assets, being depreciated	898	7		905
Less accumulated depreciation for:				
Buildings and equipment	(430)	(27)		(457)
Total accumulated depreciation	(430)	(27)		(457)
Total capital assets, being depreciated, net	468	(20)		448
Wastewater Management Enterprise Fund capital assets, net	\$ 488	(20)		468

**Sanitation Districts Enterprise Fund**

	Beginning Balance at July 1, 2002	Increases	Decreases	Ending Balance at June 30, 2003
Capital assets, not being depreciated:				
Land and improvements	\$ 1,069			1,069
Construction in progress	443	1,479		1,922
Total capital assets, not being depreciated	1,512	1,479		2,991
Capital assets, being depreciated:				
Buildings and equipment	2,181			2,181
Infrastructure	62,238	832	(7)	63,063
Total capital assets, being depreciated	64,419	832	(7)	65,244
Less accumulated depreciation for:				
Buildings and equipment	(1,814)	(48)	901	(961)
Infrastructure	(22,659)	(2,144)		(24,803)
Total accumulated depreciation	(24,473)	(2,192)	901	(25,764)
Total capital assets, being depreciated, net	39,946	(1,360)	894	39,480
Sanitation Districts Enterprise Fund capital assets, net	\$ 41,458	119	894	42,471

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

In the fiscal year 2001-2002 Sanitation Districts schedule, the accumulated depreciation for Buildings and equipment was overstated by \$901 and the accumulated depreciation for the Infrastructure was understated by \$901. The correction has been made for the fiscal year 2002-2003 schedule.

**(D) Leases**

**(1) Lease Revenue**

The County leases real property to the public sector and other governmental agencies. The lease revenues for both non-cancelable and cancelable leases for the year ended June 30, 2003 were approximately \$12 million. The future minimum lease revenue from the non-cancelable leases is as follows:

Fiscal Year	Minimum Lease Revenue
2003-2004	\$ 10,368,063
2004-2005	10,094,281
2005-2006	9,995,049
2006-2007	9,756,177
2007-2008	8,782,073
2008-2077	155,577,567
Total	\$ 204,573,210

**(2) Lease Commitments**

The County has commitments under long-term property operating lease agreements for facilities used for operations. These leases do not meet the criteria for capitalization under FASB Statement 13. The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County facilities. The combined rental cost for which the County is obligated under these leases is as follows:

Fiscal Year	Minimum Payments
2003-2004	\$ 10,125
2004-2005	8,314
2005-2006	7,792
2006-2007	5,942
2007-2008	2,596
2008-2014	7,933
Total	\$ 42,702

Total rental expense for all real property operating leases, including short-term cancelable leases for the year ended June 30, 2003, was approximately \$26.7 million.

In addition to real property leases, the County has also entered into long-term operating leases for personal property, a large portion of which represents data processing and duplicating equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2003, was approximately \$12.3 million.

Certain buildings and equipment are being leased under capital leases as defined in FASB Statement 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is reflected as a liability in that statement. The County assumes responsibility for all maintenance, repair, and structural modifications under the terms of the lease agreements.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

The capital lease property classes at June 30, 2003 consisted of the following:

Capital Lease Property Class	June 30, 2003
Structures and improvements	\$ 35,475
Equipment	5,385
Total	\$ 40,860

Future minimum lease payments under capital leases consisted of the following at June 30, 2003:

Fiscal Year	Minimum Lease Payments
2004	\$ 5,367
2005	4,463
2006	4,348
2007	3,785
2008	3,455
2009-2013	15,351
2014-2018	15,263
2019-2023	6,125
Total minimum lease payments	58,157
Less: amount representing interest	(17,297)
Net lease payments	\$ 40,860

**(E) Short Term Obligations**

The County's short term borrowing program consists of its annual Tax and Revenue Anticipation Notes (Notes), which fund the County's annual operating cash flow fluctuations, and the issuance of Teeter Commercial Paper, which fund payments to public agencies of their full share of property taxes levied. The County of San Diego bears the risk of loss on delinquent property taxes that go unpaid; however, it also benefits from the penalties associated with these delinquent property taxes when they are paid. Short-term borrowing activity during the year ended June 30, 2003 was as follows:

	Beginning Balance at July 1, 2002	Issued	Redeemed	Ending Balance at June 30, 2003
Tax and Revenue Anticipation Notes	\$	135,000		135,000
Teeter B-1 Tax - Exempt Principal	\$50,200	39,600	50,600	39,200
Teeter B-2 Taxable Principal	9,900	22,536	9,900	22,536
Total Teeter	\$60,100	62,136	60,500	61,736

On July 3, 2002, the County of San Diego issued \$135 million of Notes with an interest maturity date of June 30, 2003 and principal maturity date of July 31, 2003. The Notes carry an interest rate of 3% and a yield of 1.75%. As of June 30, 2003, accrued interest of \$4,039 has been recorded in the General Fund with the Tax and Revenue Anticipation Notes obligation for a total obligation of \$139,039.

In 1995 the County of San Diego Board of Supervisors approved the Master Teeter Resolution providing the terms and conditions of its teeter plan obligations. Pursuant to this resolution the

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

County is able to issue additional Series B Teeter Commercial Paper for each fiscal year. On May 13, 2003, the Board of Supervisors adopted a resolution for the additional Series B borrowings to finance the uncollected property taxes and assessments attributable to the fiscal year ending June 30, 2003. The Teeter commercial paper shall mature not more than 270 days after date of issuance and is not subject to redemption prior to maturity. The payment of principal and interest on each series is supported by an irrevocable direct pay letter of credit that will expire on June 22, 2007.

**(F) General Long-Term Obligations**

Outstanding general long-term obligations at June 30, 2003 consist of certificates of participation, capital lease obligations, third party financing leases, and other long-term obligations. Outstanding long-term obligations at June 30, 2003 were as follows:

**(1) Governmental Activities**

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
San Diego County Capital Asset Leasing Corporation (SANCAL):				
1993 Certificates of participation issued March, 1993	3.00 - 5.75%	2013	\$ 7,640	5,080
1993 Certificates of participation issued March, 1993	3.25 - 5.10%	2007	26,085	10,065
1993 Certificates of participation issued May, 1993	2.50 - 5.625%	2012	203,400	100,175
1996 Certificates of participation issued May, 1996	4.30 - 5.50%	2018	52,230	37,780
1996 Certificates of participation issued December, 1996	4.00 - 6.00%	2019	37,690	33,170
1997 Certificates of participation issued June, 1997	4.00 - 4.80%	2004	28,035	3,430
1997 Certificates of participation issued July, 1997	4.00 - 5.00%	2025	80,675	71,790
1998 Certificates of participation issued January, 1999	4.00 - 4.94%	2022	73,115	60,475
1999 Certificates of participation issued September, 1999	3.60 - 4.75%	2009	15,010	11,140
2000 Certificates of participation issued May, 2000	4.50 - 5.125%	2010	51,620	38,775
2002 Certificates of participation issued May, 2000	2.00 - 3.30%	2011	26,060	23,405
<b>Total certificates of participation</b>			<b>\$ 601,560</b>	<b>395,285</b>



**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(1) Governmental Activities (continued)**

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
<b>Capitalized Leases:</b>				
San Diego Regional Building Authority Lease beginning September 2001	2.15 - 5.25%	2019	36,960	35,475
Third party financing leases with various beginning dates from August, 1997 to the present	4.24 - 8.00%	2002 - 2008	10,720	5,385
<b>Total capitalized leases</b>			<b>47,680</b>	<b>40,860</b>
<b>Other long-term obligations:</b>				
<b>Capital loans:</b>				
Department of Transportation loans Beginning March 2001	5.63%	2017	3,584	3,154
United States Department of Agriculture	1.00%	2028	4,486	3,611
California Bank & Trust	7.75%	2007	436	323
<b>Taxable pension obligation bonds:</b>				
1994 Series A	4.7 - 6.6%	2007	430,430	87,055
2002 Series A, B & C	3.88 - 6.125%	2032	737,340	737,340
Redevelopment Agency revenue bonds	4.75 - 6.75%	2020	5,100	4,530
San Diego County Tobacco Asset Securitization Corporation	4.00 - 6.00%	2043	466,840	449,235
Arbitrage rebate				752
Compensated absences				75,370
Claims and judgments				100,588
Landfill closure				101,000
<b>Total other long-term obligations</b>			<b>1,648,216</b>	<b>1,562,958</b>
<b>Total governmental activities</b>			<b>\$ 2,297,456</b>	<b>1,999,103</b>

The certificates of participation (COP) of the SANCAL non-profit corporation are secured by annual base rental lease payments payable primarily by the County General Fund for use of the facilities constructed or equipment purchased from the proceeds. There are also encumbrances on the facilities constructed with the proceeds of the SANCAL. The capital leases between the County and SANCAL have been eliminated for financial reporting purposes and the related assets and long-term obligation they (e.g. certificates of participation of SANCAL) are reported as San Diego County's assets and debt, respectively.

Also, the County, in compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, has performed arbitrage rebate calculations to determine probable amounts due to the Federal government. An estimate of probable arbitrage rebate in the amount of \$752 has been included in the statement of net assets.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(2) Business-Type Activities**

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Other long-term obligations:				
Airport				
Compensated absences			\$	120
Wastewater Management				
Compensated absences				179
Sanitation Districts				
Long-term contract payable -				
Spring Valley			5,639	195
Total business-type activities			\$ 5,639	494

(3) Long-term obligation activity for the year ended June 30, 2003 was as follows:

**Governmental Activities**

Obligation	Beginning Balance at July 1, 2002	Additions	Reductions	Ending Balance at June 30, 2003	Amounts Due within One Year
Bonds and notes payable:					
Certificates of participation	\$ 433,790		(38,505)	\$ 395,285	38,400
Redevelopment Agency	4,655		(125)	4,530	130
San Diego County Tobacco					
Securitization Corporation	458,795		(9,560)	449,235	1,830
Taxable pension obligation bonds	282,900	737,340	(195,845)	824,395	9,630
Capital loans	4,277	4,922	(2,111)	7,088	396
Total bonds and notes payable	1,184,417	742,262	(246,146)	1,680,533	50,386
Other liabilities:					
Capitalized leases	46,604		(5,744)	40,860	3,431
Arbitrage rebate	836		(84)	752	
Claims and judgments	97,794	35,372	(32,578)	100,588	32,578
Compensated absences	72,342	3,045	(17)	75,370	7,537
Landfill closures	101,000			101,000	
Total other liabilities	318,576	38,417	(38,423)	318,570	43,546
Total governmental activities	\$ 1,502,993	780,679	(284,569)	\$ 1,999,103	93,932

The following liabilities have been liquidated in prior years in the following governmental funds:

Liability	Fund(s) Used to Liquidate in Prior Years
Arbitrage rebate	Debt Service Fund - Nonprofit Corporation
Claims and judgments	Internal Service Fund - Risk Financing
Compensated absences	General Fund; Special Revenue Funds - County Library, Road, Cable TV, Air Pollution; Internal Service Funds - Facilities Management, Fleet Services, Purchasing, Mail Print & Records
Landfill closures	General Fund

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**Business-Type Activities**

	Beginning Balance at July 1, 2002	Additions	Reductions	Ending Balance at June 30, 2003	Amounts Due within One Year
<b>Airport</b>					
Compensated absences	\$ 102	18		120	12
<b>Wastewater Management</b>					
Compensated absences	175	4		179	18
<b>Sanitation Districts</b>					
Julian sanitation loan	5		(5)		
Contract payable	195			195	
<b>Total Sanitation Districts long-term liabilities</b>	<b>200</b>		<b>(5)</b>	<b>195</b>	
<b>Total business-type activities</b>	<b>\$ 477</b>	<b>22</b>	<b>(5)</b>	<b>494</b>	<b>30</b>

The following is a schedule of debt service requirements to maturity, for long-term bond and note obligations outstanding at June 30, 2003.

Fiscal Year Ending	Principal	Interest	Total
June 30			
2004	\$ 50,421	89,915	140,336
2005	55,990	84,951	140,941
2006	61,999	81,821	143,820
2007	65,771	78,365	144,136
2008	48,979	75,179	124,158
2009 - 2013	206,146	423,207	629,353
2014 - 2018	169,813	400,437	570,250
2019 - 2023	200,565	386,564	587,129
2024 - 2028	234,264	375,713	609,977
2029 - 2033	304,105	366,921	671,026
2034 - 2038	90,865	71,048	161,913
2039 - 2043	191,615	42,348	233,963
<b>Total</b>	<b>\$ 1,680,533</b>	<b>2,476,469</b>	<b>4,157,002</b>

**Prior Year Defeasance of Debt**

In prior years, the County defeased certain lease revenue bonds or certificates of participation (COP's) by placing the proceeds of the original issue plus additional County contributions in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the liability for the defeased obligations are not included in the County's financial statements. At June 30, 2003, \$147.9 million of bonds or COPs outstanding are considered defeased.

**Advance Refunding of Long-Term Debt**

On February 12, 2002, The Board of Supervisors of the County adopted enhanced retirement benefits for members of the SDCERA. As a result of these benefits, the County incurred an increased obligation pursuant to the Retirement Law as an unfunded accrued actuarial liability to the SDCERA.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

On October 3, 2002, the County of San Diego issued \$737,340 of Taxable Pension Obligation Bonds. These bonds were issued with four series: Series A in the amount of \$132,215 which are fixed rate Current Interest Bonds; Series B1 in the amount of \$100 million which carry a variable rate are Auction Rate Securities; Series B2-4 in the amount of \$405,125 are also Auction Rate Securities which have been swapped to fixed; and Series C in the amount of \$100 million, which are fixed rate Public Income Notes (PINES). The County has entered into a swap agreement with two providers for the Series B2-4 bonds. These bonds carry a fixed rate of 5.31%. A portion of the proceeds, \$176,890, was placed in an escrow account to be used to retire interest and principal on \$156,425 of the County's outstanding 1994 Taxable Pension Obligation Bonds.

In order for the County to remain within its revenue constraints, a portion of the 1994 Taxable Pension Obligation Bonds was defeased by placing in escrow, certain proceeds of the October 2002 bond issuance. This resulted in an economic loss of \$184. The 1994 bonds had a remaining life of approximately 5 years and have been replaced with \$100 million, 30 year variable rate debt and a \$56 million of 30 year fixed rate debt resulting in the economic loss. The variable rate debt is subject to market fluctuations.

**Inactive Landfill Closure Costs**

The County maintains seventeen waste disposal sites that were closed prior to 1985. Consistent with State and Federal regulations pertaining to closed landfills, post-closure costs for these landfills, including facilities maintenance and groundwater monitoring over a 30-year period, are estimated at \$101 million in current year costs. This amount has been recorded in the statement of net assets. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The County has funded this liability from cash reserves realized in prior years.

**(G) Special Assessment Debt**

The County Treasurer-Tax Collector acts as an agent for property owners and bondholders in collecting and forwarding special assessment monies. The County is not obligated for repayment of any special assessment bonds and all special assessment debt is solely the obligation of various separate governmental agencies. The amount of special assessment debt outstanding for which the County is a fiduciary is \$17.6 million at June 30, 2003.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(H) Receivables and Payables**

(1) Receivables at June 30, 2003, were as follows:

Receivables	Accounts	Interest	Due From Other Gov't Agencies	Notes	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:									
General Fund	\$ 5,863	1,719	150,497	842	6,021	25,201	190,143	(41)	190,102
Tobacco Securitization Special Revenue Fund	889						889		889
Tobacco Securitization Joint Special Revenue Fund	382					5	387		387
Other governmental funds	36,493	340	77,185			15,164	129,182		129,182
Internal service funds	313		2,865			1,621	4,799		4,799
Total governmental activities	43,940	2,059	230,547	842	6,021	41,991	325,400	(41)	325,359
Business-type activities:									
Airport	168		1,009			233	1,410		1,410
Wastewater Management	1					2	3		3
Sanitation Districts						283	283		283
Total business-type activities	169		1,009			518	1,696		1,696
Component Unit:									
First 5 Commission		654	7,335				7,989		7,989
Total Component Unit	\$	654	7,335				7,989		7,989

(2) Payables at June 30, 2003, were as follows:

Payables	Vendors	Due to Other Gov't Agency	Aid to Individual	Other	Total Payables
Governmental activities:					
Major funds					
General fund	\$ 32,058	9,912	117	274	42,361
Nonmajor funds	12,426	641	144	2	13,213
Internal service funds	17,428	198		1,800	19,426
Total governmental activities	61,912	10,751	261	2,076	75,000
Business-type activities:					
Airport enterprise fund	1,427			26	1,453
Wastewater management fund	8				8
Sanitation districts fund	142	13			155
Total business-type activities	1,577	13		26	1,616
Component unit					
First 5 commission	1,852				1,852
Total component unit	\$ 1,852				1,852

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
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**(I) Interfund Receivables, Payables and Transfers**

(1) Transfers in/transfers out at June 30, 2003 were as follows:

From	To	Amount
General Fund	Nonmajor Governmental Funds	\$ 149,562
	Internal Service Funds	7,317
<b>Total General Fund</b>		<b>156,879</b>
Tobacco Securitization Special		
Revenue Fund	General Fund	26,949
Nonmajor Governmental Funds	General Fund	451,048
	Nonmajor Governmental Funds	137,439
	Enterprise Funds	
	Airport	740
	Internal Service Funds	90
<b>Total Nonmajor Governmental Funds</b>		<b>589,317</b>
Enterprise Funds		
Airport	Nonmajor Governmental Funds	424
	Internal Service Funds	16
<b>Total Airport</b>		<b>440</b>
Enterprise Funds		
Wastewater Management	Internal Service Funds	15
	Nonmajor Governmental Funds	125
<b>Total Wastewater Management</b>		<b>140</b>
Internal Service Funds	General Fund	809
	Nonmajor Governmental Funds	2,641
<b>Total Internal Service Funds</b>		<b>3,450</b>
<b>Total</b>		<b>\$ 777,175</b>

The purpose of these transfers was primarily for reimbursement of project costs, lease payments, initiation fees, bank activity posting and replacement costs.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

(2) Due to/due from other funds at June 30, 2003 were as follows:

Receivable Fund	Payable Fund	Amount
General fund	Tobacco Securitization Special Revenue Fund	\$ 7,934
	Nonmajor Governmental Funds	122,547
	Enterprise Funds	
	Airport	93
	Wastewater Management	23
	Sanitation Districts	1
	Internal Service Funds	53,201
	Trust and Agency Funds	20,087
<b>Total General Fund</b>		<b>203,886</b>
Tobacco Securitization Special Revenue Fund	Trust and Agency Funds	5
Nonmajor Governmental Funds	General Fund	4,990
	Nonmajor Governmental Funds	1,438
	Enterprise Funds	
	Airport	196
	Wastewater Management	63
	Sanitation Districts	52
	Internal Service Funds	799
	Trust and Agency Funds	23,809
<b>Total Nonmajor Governmental Funds</b>		<b>31,347</b>
Enterprise Funds		
Airport	Nonmajor Governmental Funds	481
	Internal Service Funds	102
	Trust and Agency Funds	237
<b>Total Airport</b>		<b>820</b>
Enterprise Funds		
Wastewater Management	General Fund	58
	Nonmajor Governmental Funds	26
	Enterprise Funds	
	Sanitation Districts	541
	Internal Service Funds	9
	Trust and Agency Funds	8
<b>Total Wastewater Management</b>		<b>642</b>
Enterprise Funds		
Sanitation Districts	Internal Service Funds	1
	Trust and Agency Funds	284
<b>Total Sanitation Districts</b>		<b>285</b>
Internal Service Funds	General Fund	15,053
	Nonmajor Governmental Funds	1,560
	Enterprise Funds	
	Airport	25
	Wastewater Management	34
	Sanitation Districts	3
	Internal Service Funds	750
	Trust and Agency Funds	1,702
<b>Total Internal Service Funds</b>		<b>19,127</b>
Trust and Agency Funds	General Fund	3,375
	Nonmajor Governmental Funds	161
	Enterprise Funds	
	Airport	3
	Wastewater Management	7
	Sanitation Districts	1
	Internal Service Funds	77
	Trust and Agency Funds	27,634
<b>Total Trust and Agency Funds</b>		<b>31,258</b>
<b>Total</b>		<b>\$ 287,370</b>

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

(3) Advances to/from at June 30, 2003 were as follows:

	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 689	
Nonmajor Governmental Funds		
Flood Control District	3	
County Service Districts		768
Nonprofit Corporation - Debt Service	414	
Redevelopment Agency - Debt Service		287
Redevelopment Agency - Capital Projects		10,177
Enterprise Funds		
Airport	9,637	
Sanitation Districts	135	278
Internal Service Funds		
Special District Loans	632	
<b>Total</b>	<b>\$ 11,510</b>	<b>11,510</b>



**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(J) Divestiture of the County Transit System**

On February 13, 2002, the Board of Supervisors approved divestiture of the County Transit System to the Metropolitan Transit Development Board (MTDB) to be effective on June 28, 2002. The County accounted for the transit system in the Transit Enterprise Fund. At June 30, 2002, a liability of \$3.8 million was established to reflect cash and equivalents held in the Transit Fund pending disposition instructions from San Diego Association of Governments. A cash flow statement for the current year is included to reflect the disposition of the cash and equivalents which were held at June 30, 2002.

**(5) Other Note Disclosures**

**(A) Commitments and Contingencies**

**(1) Litigation**

In addition to the accrued liability for litigation and Workers Compensation claims described in Note 5B, the County has a potential liability of \$21 million that could result if unfavorable final decisions were rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal year. Estimates of potential liabilities described above include estimates of claims incurred but not reported at June 30, 2003.

**(2) Unrecorded Leave Benefits**

County employees have unrecorded accumulated benefits of approximately \$122.5 million in sick leave. These benefits are not payable to employees upon termination and are normally liquidated in future years as employees elect to use their benefits as prescribed by Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as current or long-term liabilities in the appropriate proprietary funds and the statement of net assets as described in Note 1G.

**(3) Tax and Revenue Anticipation Notes**

On July 1, 2003, the County issued \$255 million of Tax and Revenue Anticipation Notes (Notes); the principal and interest will be due on the maturity date of June 30, 2004. The fiscal year 2003-2004 Notes carry an interest rate of 1.75% and a yield of .92% and are subject to scheduled set aside.

**(4) Third Party Debt**

The tax code allows for certain types of nongovernmental borrowers to take advantage of tax-exempt financing through a governmental agency. The County of San Diego as a governmental agency, has issued tax-exempt debt to qualified borrowers. The County of San Diego is not responsible for the repayment of the debt. Accordingly, no liability for these bonds have been recorded in the statement of net assets.

**Mortgage Revenue Bonds**

Mortgage Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate income. Between 1995 and 1999, the County issued \$24 million of Mortgage Revenue Bonds of which \$22 million were still outstanding as of June 30, 2003.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**Certificates of Participation**

The County has implemented a conduit program whereby the County is the issuer of tax-exempt bonds and loans the proceeds to a qualifying for profit or nonprofit organization. These organizations make payments to the County equal to the debt service on the bonds. Beginning in April 1998, \$112 million in Certificates of Participation (COPs) have been issued to provide funding for construction of capital improvements and refunding of prior obligations for a hospital and medical center located within the County. In December 1998, the County entered into a lease agreement with the San Diego Natural History Museum to issue \$15 million of COPs to finance certain museum improvements. In September 1999, the County entered into a lease agreement with the Burnham Institute to issue \$51.5 million of COPs to finance the purchase of real property. In March 2000, the County entered into a lease agreement with the San Diego Museum of Art to issue \$6 million of COPs to finance certain museum improvements. In April 2000, the County entered into a lease with the Salk Institute to issue \$15 million of COPs to finance the acquisition, construction and equipping of certain research facilities. In May 2001, the County entered into a lease agreement with the University of San Diego to issue \$36.9 million of COPs to finance certain capital improvements for the University. In September 2002, the County entered into a lease with the San Diego-Imperial Counties Developmental Services to issue \$10.8 million in COPs to finance the acquisition of their headquarter facility. In January 2003, the County entered into a lease agreement with Chabad Jewish Academy to issue \$11.7 million in COPs to finance the construction of certain educational buildings. As of June 30, 2003, \$251 million of such COPs are still outstanding.

**Reassessment District Improvement Bonds**

Reassessment District Improvement Bonds were issued to provide for refunding an earlier issuance of Improvement Bonds for an assessment district. The district issued \$28.8 million of Improvement Bonds in July 1991 to finance the acquisition of certain infrastructure improvements specially benefiting properties within an assessment district. In July 1997, the district issued \$21.8 million of Reassessment Bonds to refund the original issuance, of which \$16.5 million were still outstanding as of June 30, 2003.

**(5) Federal and State Programs**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**(6) SDCERA**

SDCERA is party to financial instruments with off-balance sheet risk to generate earnings and stabilize excess earnings from active management of fixed income securities and common stocks. Managed futures contracts include, but are not limited to, contracts for delayed delivery of securities, commodities, or currencies in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise from the possible inability of counter-parties to meet the terms of their contract. The risks of loss from these off-balance sheet financial instruments include minimal credit risks, but include the possibility that future changes in market prices may make such financial instruments less valuable (market risk). Not reflected in the pension trust fund financial statements are commitments to acquire real estate for investment totaling \$81 million and alternative equity for \$102.3 million.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

**(7) Deposits for Other Agencies**

The Treasurer is a named paying agent for various bonds issued by other agencies, e.g., school districts, pursuant to the bond covenants. The proceeds from these issues are deposited in the County pool or as specified in the bond resolution. The amounts deposited belong to the specific agency which issued the bonds and are not assets of the County. The County has no liability with respect to these issues, the repayment of these bonds are from advalorem taxes levied on the properties in the school district.

**(B) Risk Management**

The County operates a Risk Management Program, whereby it is self-insured for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, and general liability. The County purchases insurance for property damage, certain casualty claims, public officials bond, employee dishonesty, faithful performance, volunteers, excess workers' compensation (for losses greater than \$1 million), airport comprehensive, and loss of money and securities based upon site locations. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. During fiscal year 1994-1995, the County established an Internal Service Fund (ISF) to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. An actuarial evaluation was used to determine the public liability and workers compensation total risk liability at June 30, 2003. At June 30, 2003, the amount of these liabilities, including an estimate for claims incurred but not reported, was estimated at \$100.6 million, including \$17.2 million in public liability and \$83.4 million in workers' compensation. The County began allocating the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll beginning fiscal year 1996-1997. Changes in the balances of claim liabilities for fiscal year 2001-2002 and 2002-2003 were as follows:

Fiscal Year	Beginning Balance at July 1, 2002	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance at June 30, 2003
2001-2002	\$ 84,210	46,344	(32,760)	97,794
2002-2003	97,794	35,372	(32,578)	100,588

**(C) Joint Venture**

The County is a participant with seventeen incorporated cities in a joint venture to operate an emergency services organization for the purpose of providing regional planning and mutual assistance in the event of an emergency or disaster in the region including accidents involving hazardous waste. The organization is governed by the Unified Disaster Council composed of one voting member from each represented jurisdiction. A contractual agreement requires that the cities provide one-half of the total required funding each year. The County, by agreement, also provides one-half of the required yearly funding. Any participant may terminate participation in the agreement by giving 120 days notice prior to the beginning of the next fiscal year. Total participant contributions for fiscal year 2002-2003 were \$860. The organization had a cumulative surplus of \$32 at June 30, 2003. Separate financial statements for the joint venture may be obtained from the County Chief Financial Officer/Auditor and Controller.

**(D) Jointly Governed Organizations**

The County Board of Supervisors jointly governs two service authorities, the Service Authority for Abandoned Vehicles and the Service Authority for Freeway Emergencies (S.A.F.E.). These Authorities are governed by two seven-member boards, consisting of representatives from the city councils of the incorporated cities within the County and two members of the County Board of Supervisors. The

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

purpose of the authorities is to provide for the removal of abandoned vehicles on streets and highways and to provide for freeway emergency call boxes on major freeways within the County, respectively. Funding for the authorities is derived from vehicle license fee surcharges, which are collected by the State and deposited into the County Treasury. The County provides minimal administrative staff support for these authorities.

The County Board of Supervisors and the San Diego City Council jointly govern the San Diego Workforce Partnership (Partnership). The Partnership's Board of Directors consists of two members of the County Board of Supervisors, two members from the San Diego City Council and one member of a charitable organization. The purpose of the Partnership is to provide employment training to area residents. Funding for such training is provided by State and Federal grants.

The County also jointly governs the San Dieguito River Valley Authority, the Serra Cooperative Library System, Southern California Regional Training and Development Center, and the Van Horn Regional Treatment Facility. The governing boards of these entities consist of representatives from the County and/or other regional governments and other counties. The County does not appoint a voting majority to the above boards. Services provided by these entities include park land acquisition, coordination of library services, regional governmental training, and treatment of emotionally disturbed youth.

**(E) San Diego County Employees' Retirement System**

**(1) Plan Description**

The SDCERA administers a multi-employer plan which provides retirement, disability, and death benefits for plan members and beneficiaries pursuant to the County Retirement Law of 1937, as enacted and amended by the State legislature. The plan is integrated with the Federal Social Security System. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the SDCERA Board of Retirement. SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. The financial report may be obtained by writing to the San Diego County Employees Retirement Association, 401 West A Street, Suite 1300, San Diego, California 92101 or by calling (619) 515-0130.

**(2) Basis of Accounting and Fair Value of Investments (See Notes 1E and 1G, respectively).**

**(3) Funding Policy**

State statutes require member contributions to be actuarially determined to provide a specific statutory level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the County to pay a portion of the employees' contribution. Member contribution rates (weighted average) expressed as a percentage of salary are 8.39%-8.85% for general members and 9.27% for safety members. The County is also required by State statutes to contribute at an actuarially determined rate; the fiscal year 2002-2003 rates, expressed as a percentage of covered payroll, are 0% for general members and 6.87% for safety members.

In March 2002, the County implemented a new enhanced retirement package. In October 2002, the County issued taxable Pension Obligation Bonds to fund a portion of its statutory obligations arising from enhanced benefits. Member and County contribution rates will be adjusted to cover enhanced benefits.

**(4) Annual Pension Cost**

An actuarial valuation is not yet available to provide current annual pension costs and comparative figures with the prior year. For the fiscal year ended June 30, 2002, the County's annual pension cost was zero. The County's actual contribution during the fiscal year ended June 30, 2002, totaled \$5.3 million, resulting in a net pension obligation of \$7.7 million as of June 30, 2002. The required

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

contribution rates, as adopted by the SDCERA Board, were determined as part of the June 30, 2001 actuarial valuation based on entry-age actuarial cost method. The actuarial assumptions included (a) an 8.25% investment rate-of-return, (b) projected salary increases of 4.5% per year, and (c) cost-of-living increases for retirees of 3%.

**(5) Three-Year Trend Information:**

Fiscal Year Ending June 30	Annual Pension Cost (ARC)	Percentage of ARC Contributed	Net Pension Obligation
2000	\$14,341		\$14,341
2001	4,927	41.3%	15,548
2002		100%	7,686

The Board of Retirement elected to offset the County's annual required contributions (ARC) for the fiscal year ended June 30, 2000 from the considerable surplus within the Pension Trust Fund. Therefore, no County monies were expended for the ARC.

**(6) Retiree Health Benefits:**

Retiree health benefits may be available to eligible retirees to the extent that the Board of Retirement on an annual basis approves the payments of such benefits. The Board of Supervisors and the Board of Retirement adopted a funding mechanism under 401(h) of the Internal Revenue Service Code, which calls for a portion of the County's contributions to be deposited to a separate account each year. The amount of the contributions placed in this account are then withdrawn from the investment earnings which exceed the assumed rate of return of the portfolio, and placed in the retirement fund to ensure the funding of the pension benefits are made whole and complete. The health benefits fund began its funding with \$19.9 million that can only be used to pay retirement health benefits.

Approximately 9.65 thousand retirees or surviving spouses are eligible to receive these benefits. SDCERA recognizes the cost of providing those benefits by expending annual insurance premiums, which approximated \$20 million for fiscal year 2002-2003. A reserve established by the SDCERA Board of Directors for the payment of postretirement health care benefits was approximately \$269.1 million at June 30, 2003, a \$16.5 million decrease from the previous fiscal year.

**(7) Equity and Bond Swaps and Futures Contracts**

SDCERA utilizes various financial instruments, such as, equity and bond interest rate swap agreements and stock and bond futures contracts, in order to synthetically create exposure to the equity and bond markets. These financial instruments are intended to be equivalent to the asset they are designed to emulate, and SDCERA management believes such investments offer significant advantages over the direct investment in securities, including lower transaction fees and custody costs. The SDCERA governing board of directors has adopted a policy whereby specified amounts of cash and certain securities equal the exposures resulting from these agreements.

The use of swap agreements does expose the pension trust fund to the risk of dealing with financial counter parties and their ability to meet the terms of the contracts. Forward contracts for the purchase of certain commodities are reported at fair market value in the financial statements. Obligations to purchase the commodities are not recognized until the commodities are delivered.

**(F) Prior Year Advance**

Prior to the issuance of Revenue Bonds in 1995 by the San Diego County Redevelopment Agency, the County Airport Enterprise Fund funded the initial expenditures of the Agency's two airport projects. The Redevelopment Agency is required to reimburse the Airport Enterprise Fund, which spent approximately \$9.6 million on the projects consisting of \$3.7 million for initial expenditures and \$5.9 million for 2001.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

The Agency pays interest on advances, but is not responsible for payment until funds are available for this purpose. As of June 30, 2003, interest of approximately \$3.7 million has accrued on these advances.

**(G) New Governmental Accounting Standards**

In June 2001, GASB issued Statement No. 38, "Certain Financial Statement Note Disclosures". This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Modifications to the note disclosures primarily focus on: a) revenue recognition policies; b) action taken in response to significant violations of legal or contractual provisions; c) debt service requirements; d) lease obligations; e) short-term debt; and f) interfund balances. GASB Statement No. 38 was partially implemented in the previous year. For the year ended June 30, 2003, the County adopted the disclosure provisions for receivables, payables, interfund transfers and short-term debt per GASB 38 requirements. Accordingly, certain note disclosures have been revised or added to comply with the provisions of this statement.

**(H) Securitization of Tobacco Settlement Revenues**

The Tobacco Securitization Authority of Southern California (the "Authority") issued \$466.8 million in aggregate principal amount of Tobacco Settlement Asset-Backed Bonds in January of 2002 (the "Bonds"), in order to fund the Authority's loan to San Diego Tobacco Asset Securitization Corporation, a California non-profit public benefit corporation (the "Borrower") pursuant to a loan agreement between the Authority and the Borrower. The Borrower in turn used the net proceeds of the financing, in the amount of \$411 million, to pay to the County, in return for the County's transfer to the Corporation of all of the County's right, title and interest in and to and under a Master Settlement Agreement (the "MSA"), as agreed to by the State and participating jurisdiction, and a Memorandum of Understanding (the "MOU") and a supplemental agreement (the "ARIMOU") among the State of California, all California counties and four California cities, including the right of the County to receive Tobacco Settlement Payments. The MSA was entered into in November 1998, among the Attorney Generals of 46 states, the District of Columbia, The Commonwealth of Puerto Rico, Guam, U.S. Virgin Islands, American Samoa and the Commonwealth of Northern Mariana Islands and collectively, the "Settling States" and the four largest tobacco manufacturers. Under the terms of the MSA, the settling tobacco companies agreed, among other things, to make periodic payments in perpetuity ("Tobacco Settlement Payments") in exchange for being released from claims related to the use of tobacco products. Under the MOU and the ARIMOU, the State of California agreed to distribute 50% of the Tobacco Settlement Payments it received to California counties (including the County) and four cities; the relative amounts to be received by the counties is based upon population, with adjustments being made in response to each decennial U.S. census. When the Tobacco Settlement Payments became available to the County, the County Board of Supervisors adopted Board Policy E-14, which establishes guidelines for the allocation of these revenues to new and expanded programs that would serve these targeted populations and also promote healthy lifestyles. The emphasis is on prevention and education, and is intended to reduce the abuse of alcohol, tobacco and other addictive substances, improve mental health services, significantly reduce violence and abuse, reduce the incidence of chronic and infectious diseases, and provide education regarding the effects of tobacco.

Prior to its sale of the Tobacco Settlement Payments, the County of San Diego had received approximately three years of annual payments. The County expects to use approximately \$29.4 million annually from the proceeds from the sale (which were deposited in an endowment fund and invested in municipal securities) for Board Policy E-14 purposes.

The bonds are limited obligations of the Authority payable solely from payments made by the Corporation, from Tobacco Settlement Payments purchased from the County, between the Corporation and the Authority. For the year ended June 30, 2003, \$35,444 of Tobacco Settlement Payments was recorded as Other revenue in the Tobacco Securitization Joint Special Revenue Fund. The bonds do not constitute a charge against the general credit of the Authority or the County and neither will the Authority (except from loan payments by the Corporation) or the County be obligated to pay the

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**  
**(Amounts Expressed In Thousands)**

interest on or principal of these bonds. These bonds do not constitute a debt, liability or obligation (legal, moral or otherwise) of the County.

Future debt service requirements of the Authority as of June 30, 2003 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2004	\$ 1,830	24,892	26,722
2005	2,155	24,818	26,973
2006	2,015	24,732	26,747
2007	1,890	24,652	26,542
2008	2,065	24,557	26,622
2009-2013	12,750	121,050	133,800
2014-2018	15,245	117,631	132,876
2019-2023	24,620	112,800	137,420
2024-2028	39,880	104,919	144,799
2029-2033	64,305	91,679	155,984
2034-2038	90,865	71,048	161,913
2039-2043	191,615	42,348	233,963
Total	\$449,235	785,126	1,234,361



Required Supplementary Information

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**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>With Final Budget Pos. (Neg.)</u>
<b>Revenues:</b>				
Taxes	\$ 383,730	383,730	396,415	12,685
Licenses, permits and franchises	28,296	28,296	28,840	544
Fines, forfeitures and penalties	33,624	38,098	36,246	(1,852)
Revenue from use of money and property	20,622	20,622	17,236	(3,391)
Aid from other governmental agencies:				
State	920,812	868,901	709,693	(159,208)
Federal	427,182	457,513	533,562	76,049
Other	49,162	51,944	49,853	(2,091)
Charges for current services	204,635	231,323	243,125	11,802
Other revenue	19,520	24,010	25,389	1,379
<b>Total revenues</b>	<b>2,087,586</b>	<b>2,104,412</b>	<b>2,040,359</b>	<b>(64,083)</b>
<b>Expenditures:</b>				
Current:				
General:				
Board of supervisors district # 1	810	1,325	1,122	203
Board of supervisors district # 2	840	1,314	1,314	
Board of supervisors district # 3	790	1,279	1,177	102
Board of supervisors district # 4	790	1,179	1,171	8
Board of supervisors district # 5	931	1,429	1,253	176
Board of supervisors general office	1,153	1,162	1,082	80
Clerk of the board of supervisors	5,376	6,588	5,514	1,074
CAC major maintenance	2,238	2,238	2,238	
Chief administrative office	3,736	4,779	4,482	297
Community enhancement	5,479	3,470	3,468	2
Community projects	10,000	9,553	9,496	57
Community services	8,403	17,301	3,572	13,729
Land use and environment	493	1,772	1,666	106
Financing and general government group	42,374	44,094	11,295	32,799
Auditor and controller	26,929	34,164	31,938	2,226
Assessor/recorder/county clerk	27,609	38,946	38,847	99
Treasurer/tax collector	13,205	16,005	15,685	320
County counsel	14,915	22,720	21,119	1,601
Human resources	17,484	22,019	20,306	1,713
Civil service commission	398	485	394	91
Register of voters	8,244	10,216	8,249	1,967
County technology office	8,015	9,227	7,989	1,238
Countywide general expense	6,149	34,107	5,683	28,424
Contribution to capital outlay	6,900	6,900		6,900
Contingency reserve	11,000	11,000		11,000
Department of public works	617	670	584	86
Health and human services agency	2,428	2,528	2,331	197
<b>Total general</b>	<b>227,306</b>	<b>306,470</b>	<b>201,975</b>	<b>104,495</b>

(Cont)

Financial Report of San Diego County

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2003  
(In Thousands)

				(Cont)	
		Actual		Variance	
		Amounts		with Final	
		Budgetary		Budget	
		Basis		Pos (Neg)	
		Original	Final		
<b>Public protection:</b>					
Grand jury	\$	478	509	465	44
District attorney		87,410	127,411	122,636	4,775
Child support		57,937	68,088	68,008	80
Public defender		38,150	56,488	54,165	2,323
Alternate public defender		12,179	16,379	15,186	1,193
Defense attorney / contract administration		6,664	8,664	8,299	365
Contributions for trial courts		69,766	120,547	117,812	2,735
Sheriff		375,723	512,333	493,449	18,884
Probation		132,985	172,865	162,352	10,513
Agriculture, weight & measures		11,136	15,591	14,563	1,028
Dept. of animal services		10,658	14,433	13,611	822
LAFCO administration		200	200	200	
Health & human services agency		2,939	2,994	2,798	196
Medical examiner		5,300	7,407	7,185	222
Planning and land use		23,137	30,325	26,784	3,541
Public safety		4,762	20,317	5,643	14,674
Citizen's law enforcement review board		466	627	565	62
Land use and environment group		3,267	9,758	3,508	6,250
Assessor / recorder / county clerk		12,129	14,070	14,070	
Department of public works		181	302	295	7
Office of emergency services		1,778	2,611	1,468	1,143
<b>Total public protection</b>		<b>857,245</b>	<b>1,201,919</b>	<b>1,133,062</b>	<b>68,857</b>
<b>Public ways and facilities:</b>					
Public works		4,601	24,219	23,955	264
<b>Total public ways and facilities</b>		<b>4,601</b>	<b>24,219</b>	<b>23,955</b>	<b>264</b>
<b>Health and sanitation:</b>					
Health and human services agency		530,691	592,196	547,319	44,877
Environmental health		29,660	39,984	36,867	3,117
Department of public works		453	869	869	
<b>Total health and sanitation</b>		<b>560,804</b>	<b>633,049</b>	<b>585,055</b>	<b>47,994</b>
<b>Public assistance:</b>					
Health and human services agency		883,532	988,880	942,695	46,185
Housing and community development		9,895	13,298	10,371	2,927
<b>Total public assistance:</b>		<b>893,427</b>	<b>1,002,178</b>	<b>953,066</b>	<b>49,112</b>
<b>Education:</b>					
Farm and home advisor		577	6,753	6,680	73
<b>Total education</b>		<b>577</b>	<b>6,753</b>	<b>6,680</b>	<b>73</b>
<b>Recreational and cultural:</b>					
Parks and recreation		17,867	25,328	22,361	2,967
<b>Total recreational and cultural</b>		<b>17,867</b>	<b>25,328</b>	<b>22,361</b>	<b>2,967</b>
<b>Debt service:</b>					
Countywide general expense		37,718	20,107	12,735	7,372
<b>Total debt service</b>		<b>37,718</b>	<b>20,107</b>	<b>12,735</b>	<b>7,372</b>
<b>Total expenditures</b>		<b>2,599,545</b>	<b>3,220,023</b>	<b>2,938,889</b>	<b>281,134</b>
<b>Excess of revenues over</b>					
<b>(under) expenditures</b>		<b>(511,962)</b>	<b>(1,115,581)</b>	<b>(898,530)</b>	<b>(217,051)</b>

(Cont)

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2003  
(In Thousands)**

				(Cont)
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>with Final Budget</u>
				<u>Pos. (Neg.)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	\$		11	11
Transfers in	497,357	497,133	478,806	(18,327)
Transfers (out)	(167,576)	(214,652)	(207,586)	7,066
Long term debt proceeds	25	560,475	560,450	(25)
Refunding bonds issued		176,890	176,890	
Payment to refunded bond escrow agent		(176,890)	(176,890)	
Encumbrances, beginning of year	98,676	98,676	98,676	
<b>Total other financing sources (uses)</b>	<b>428,482</b>	<b>961,632</b>	<b>980,357</b>	<b>(118,275)</b>
<b>Net change in fund balance</b>	<b>(83,480)</b>	<b>(175,924)</b>	<b>34,827</b>	<b>205,776</b>
<b>Fund balances - beginning of year</b>	<b>83,480</b>	<b>327,094</b>	<b>327,094</b>	
Increase (decrease) in:				
Reserve for inventory of materials and supplies			(1,056)	(1,056)
<b>Fund balances - end of year</b>	<b>\$</b>	<b>151,145</b>	<b>357,865</b>	<b>204,720</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2003  
(In Thousands)**

Explanation of differences between budget to actual comparison schedule using the operating statement format and GAAP revenues and expenditures:

**REVENUES:**

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedule	\$ 2,040,359
Differences-budget to GAAP	
Adjustment to cash for fair market value	(545)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	\$ 2,039,814

**EXPENDITURES:**

Actual amounts (budgetary basis) "total charges to appropriation" from budgetary comparison schedule	\$ 2,938,889
Differences-budget to GAAP	
Year end encumbrances are added to actual expenditures for budgetary basis but not included in GAAP	(46,052)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 2,892,837

**OTHER FINANCING SOURCES (USES):**

Actual amounts (budgetary basis) from budgetary comparison schedule	\$ 930,357
Differences - budget to GAAP	
Transfer Out - year end encumbrances are added to actuals transfers out for budgetary basis but not included for GAAP	50,707
Beginning of Year encumbrances are included in budget in the budgetary basis but not included for GAAP	(98,676)
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 882,388

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
TOBACCO SECURITIZATION SPECIAL REVENUE FUND**

**Year Ended June 30, 2003**

**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>with Final</u> <u>Budget</u> <u>Pos. (Neg.)</u>
<b>Revenues:</b>				
Revenue from use of money and property	\$		5,696	5,696
Other revenue	29,400	29,400		(29,400)
<b>Total revenues</b>	<b>29,400</b>	<b>29,400</b>	<b>5,696</b>	<b>(23,704)</b>
<b>Expenditures:</b>				
<b>Total expenditures</b>				
<b>Excess of revenues over</b>				
<b>(under) expenditures</b>	<b>29,400</b>	<b>29,400</b>	<b>5,696</b>	<b>(23,704)</b>
<b>Other financing sources (uses):</b>				
Transfers (out)	(29,400)	(29,400)	(26,949)	2,451
<b>Total other financing</b>				
<b>sources (uses)</b>	<b>(29,400)</b>	<b>(29,400)</b>	<b>(26,949)</b>	<b>2,451</b>
<b>Net change in fund balance</b>			<b>(21,253)</b>	<b>(21,253)</b>
<b>Fund balances - beginning of year</b>			<b>387,372</b>	<b>387,372</b>
<b>Fund balances - end of year</b>	\$		<b>366,119</b>	<b>366,119</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
TOBACCO SECURITIZATION SPECIAL REVENUE FUND  
Year Ended June 30, 2003  
(In Thousands)**

Explanation of differences between budget to actual comparison schedule using the operating statement format and GAAP revenues and expenditures:

**REVENUES:**

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedule	\$5,696
Differences-budget to GAAP	
Adjustment to cash for fair market value	2,145
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	\$7,841

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2002**

**Budgetary Information**

**General Budget Policies**

An operating budget is adopted each fiscal year for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for: the Tobacco Securitization Joint Special Revenue Fund (a major fund); SANCAL, a non-profit corporation, and Debt Service and Capital Projects Funds (other governmental funds). Unencumbered appropriations for the governmental funds lapse at fiscal year-end. Encumbered appropriations are carried forward to the subsequent fiscal year. Budgets for the governmental funds are adopted on a basis of accounting that is different from generally accepted accounting principles.

The major areas of differences are as follows:

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are reported as budgeted expenditures in the year the commitment to purchase is incurred. For GAAP purposes in the fund financial statements, encumbrances outstanding at fiscal year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities, because the appropriations for these commitments will be carried forward and the commitments honored in the subsequent fiscal year.

Long-term capital lease obligations are not budgeted as an expenditure and source of funds in the year the asset is acquired. Under a GAAP basis, in the fund financial statements such obligations are included as an expenditure and source of funds in the year the asset is acquired.

Loans and deposits to other agencies, if any, and their subsequent repayments are budgeted as expenditures and revenues, respectively. Under a GAAP basis in the fund financial statements, these items are not recognized as expenditures and revenues.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Appropriations may be adjusted during the year with the approval of the Board of Supervisors. Additionally, the Chief Financial Officer is authorized to approve certain transfers and revisions of appropriations within a department. Such adjustments are reflected in the final budgetary data. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Supplemental appropriations during the year ended June 30, 2003, amounted to \$826.5 million in the General Fund.

## San Diego County Employees' Retirement System

Schedule of Funding Progress (in millions) (unaudited):

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (U-AAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	U-AAL as a Percentage Of Covered Payroll (b-a)/(c)
2000	\$3,568.7	3,248.8		109.8%	\$672.5	
2001	3,745.6	3,506.8		106.8%	731.1	
2002	3,831.3	5,078.0	1,246.7	75.4%	810.3	153.8%

The actuarial valuation for June 30, 2003 is not yet available to provide information to update the Schedule of Funding Progress table.





## Combining Financial Statements and Supplemental Information

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

**ROAD FUND**

This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided.

**HCD FUND**

The Housing and Community Development Fund was established to receive federal community development block grants as well as state grants. Expenditures are for special projects related to various housing programs within the County.

**AIR POLLUTION FUND**

This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees.

**LIGHTING DISTRICT FUND**

This fund was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners.

**COUNTY LIBRARY FUND**

This fund was established to provide library services for the unincorporated area as well as some of the incorporated cities within the county. The County Library now operates a headquarters, 31 branches, 2 bookmobiles and 1 adult literacy site. Property taxes provide most of the fund's revenues, federal aid, state aid and fines provide the remaining revenues.

**ASSET FORFEITURE PROGRAM FUND**

This fund was established to account for assets which have been seized by law enforcement agencies during the investigation of criminal activities. These monies and the interest derived therefrom are used for the prevention, investigation, apprehension and prosecution of drug and other criminal law violators.

**INMATE WELFARE PROGRAM FUND**

This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the county jail and probation facilities. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates.

**INACTIVE WASTESITES FUND**

This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County's Solid Waste System. Expenditures include repairs, maintenance and care for the County's inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines.

**CABLE TV FUND**

This fund was established to account for revenue earned and expenditures made for cable television related projects appropriated for the benefit of the cable subscribers who have paid the user fees for this fund.

**PARKLAND DEDICATION FUND**

This fund was established to receive and expend special park land dedication fees to developers of land as a condition for approval of any development. The fees are then used for the purchase of land and the development of land for park or recreational facilities. These facilities serve the future residents of such developments. In lieu of the payment of these fees, the developer may dedicate land for park or recreational facilities.

**NONPROFIT CORPORATION FUND**

The nonprofit corporation fund, San Diego County Capital Asset Leasing Corporation, was established as a cost-effective means of financing the purchase of necessary equipment and the acquisition and construction of permanent buildings on behalf of the County through the sale of tax exempt certificates of participation.

COUNTY SERVICE DISTRICTS FUNDS

These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties.

FLOOD CONTROL DISTRICT FUND

This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes and federal grants.

HOUSING AUTHORITY FUND

This fund was established to account for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources.

REALIGNMENT FUND

This fund was established to account for revenues and expenditures related to providing health, mental health and public assistance programs to qualifying individuals. It is based upon the state health and welfare realignment act of 1991. The financing is provided by a one-half cent sales tax as provided in the State's Revenue and Taxation Code.

PUBLIC SAFETY FUND

This fund was established to account for revenues and expenditures related to providing public safety services such as sheriffs, fire protection, county district attorneys and county corrections. It does not include courts, but provides for an allocation to cities. It is financed by a one-half sales and use tax passed through a voter approved state proposition.

IHSS PUBLIC AUTHORITY FUND

This authority was established for the administration of the IHSS registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSS recipients and the provision for training of providers and recipients. Financing is provided by the Social Services Realignment fund, federal and state programs.

OTHER SPECIAL DISTRICTS FUNDS

These funds were established to receive user fees, land lease revenues, fines and state funding. Expenditures include retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purpose capital improvements and repairs.

DEBT SERVICE FUNDS

PENSION OBLIGATION BONDS FUND

This fund receives payments from the County and other agencies for payment of principal and interest due on 1994 taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the association. The obligation of the County to make payments with respect to the bonds is an absolute and unconditional priority obligation of the County imposed by law and payment of principal and interest on the bonds is not limited to any special source of funds.

NONPROFIT CORPORATION FUND

This fund receives rental payments based on lease purchase agreements from the capital outlay fund and the general fund for payment of principal and interest due on certificates of participation. These debt issuances are legal obligations of a nonprofit corporation and were issued to finance the purchasing of necessary equipment and the acquisition and construction of permanent buildings by the County. Debt is secured by the lease purchase payments from the County.

REDEVELOPMENT AGENCY FUND

This fund receives proceeds of redevelopment area incremental taxes and interest revenues based on a trust agreement between the agency and a trustee bank for payment of principal and interest due on revenue bonds. Pledged installments from the county airport system are deposited with a trustee and are available if taxes and interest are insufficient to pay debt service payments. In addition to the pledged amounts, a bond reserve was funded with bond proceeds.

**CAPITAL PROJECTS FUND**

**CAPITAL OUTLAY FUND**

This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements including public buildings and for the costs of acquiring land and permanent improvements. The fund may also be used to make annual payments on bond indebtedness for the construction of public facilities and to acquire public facilities through lease purchases. Revenues are obtained from the sale of fixed assets, from lease or rental of county-owned facilities, and from other funds such as grants and contributions when allocated by the Board of Supervisors to the fund.

**EDGEMOOR DEVELOPMENT FUND**

This fund is used exclusively for assisting in the development of the Edgemoor property. The Edgemoor property represents approximately 375 acres of county owned land and 50 acres owned by the Grossmont Union High School District in the Santee area. Future development may include parks, a library, housing, a fire station, post office and others. Revenues are derived from the sale or lease of land within the Edgemoor property.

**NONPROFIT CORPORATION FUND**

This fund is used to account for the expenditure of the proceeds from the sale of nonprofit corporation certificates of participation for the purchase of various types of equipment and the acquisition and construction of permanent buildings by the County.

**REDEVELOPMENT AGENCY FUND**

This fund is used to account for the proceeds of redevelopment area incremental taxes, interest revenues and temporary loans. Redevelopment project expenditures, in accordance with California community redevelopment law, include redevelopment planning, design, improvement cost, professional services and administrative costs.

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2003**

**(In Thousands)**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 236,018	3,103	25,960	265,081
Cash with fiscal agent	1,720	26,832	521	29,073
Collections in transit	183		75	258
Imprest cash	17			17
Accounts and notes receivable	108,426	352	5,240	114,018
Due from other funds	19,085	30	12,232	31,347
Advances to other funds	3	414		417
Inventory of materials and supplies	2,098			2,098
Deposits with others	380		107	487
Prepaid items	2		6	8
<b>Restricted assets:</b>				
Investments	45,413			45,413
<b>Total assets</b>	<b>413,345</b>	<b>30,731</b>	<b>44,141</b>	<b>488,217</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	8,173		5,040	13,213
Accrued payroll	2,101			2,101
Due to other funds	107,839	424	17,950	126,213
Advances from other funds	768	287	10,177	11,232
Deferred revenue	5,856		1,130	6,986
<b>Total liabilities</b>	<b>114,737</b>	<b>711</b>	<b>34,297</b>	<b>149,745</b>
<b>Fund Balances:</b>				
Reserved for encumbrances	44,988		73	45,061
Reserved for notes receivable and advances	30,331			30,331
Reserved for deposits with others	1,055			1,055
Reserved for inactive landfill maintenance	92,218			92,218
Reserved for inventory of materials and supplies	319			319
Reserved for debt service		30,020		30,020
Reserved for other purposes	40,359			40,359
<b>Unreserved:</b>				
Designated for subsequent years' expenditures	86			86
Undesignated	79,252		9,771	89,023
<b>Total fund balances</b>	<b>288,608</b>	<b>30,020</b>	<b>9,844</b>	<b>328,472</b>
<b>Total liabilities and fund balances</b>	<b>\$ 413,345</b>	<b>30,731</b>	<b>44,141</b>	<b>488,217</b>

Financial Report of San Diego County

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
June 30, 2003  
(In Thousands)

	Project	HC B	Avr	Landfill
			Pollution	Disposal
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 39,224	3,906	29,640	1,181
Cash with fiscal agent			1	
Collections in transit	6		98	
Imprest cash	3		1	
Accounts and notes receivable	7,107	22,502	811	29
Due from other funds	1,874	253	146	7
Advances to other funds				
Inventory of materials and supplies	1,779		96	
Deposits with others	23			
Prepaid items				
Restricted assets:				
Investments				
<b>Total assets</b>	<b>50,015</b>	<b>26,661</b>	<b>30,795</b>	<b>1,217</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	2,611	1,739	146	3
Accrued payroll	1,139		371	
Due to other funds	1,208	4,556	194	23
Advances from other funds				
Deferred revenue	465	4	92	
<b>Total liabilities</b>	<b>5,423</b>	<b>6,299</b>	<b>703</b>	<b>26</b>
<b>Fund Balances:</b>				
Reserved for encumbrances	17,850		18,888	114
Reserved for notes receivable and advances		20,352		
Reserved for deposits with others			700	
Reserved for inactive landfill maintenance				
Reserved for inventory of materials and supplies			96	
Reserved for other purposes	24,653			610
Unreserved:				
Designated for subsequent years' expenditures				
Undesignated	2,090	10	10,306	467
<b>Total fund balances</b>	<b>44,593</b>	<b>20,362</b>	<b>29,990</b>	<b>1,191</b>
<b>Total liabilities and fund balances</b>	<b>\$ 50,015</b>	<b>26,661</b>	<b>30,795</b>	<b>1,217</b>

(Cont)

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE**  
**June 30, 2003**  
**(In Thousands)**

(Cont)

	Equity Library	Asset Perfor- mance Program	Inmate Welfare Program	Inmate Welfare Program
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 7,159	4,108	8,007	49,050
Cash with fiscal agent				
Collections in transit	11	21	1	2
Imprest cash	5		8	
Accounts and notes receivable	9	3		339
Due from other funds	132	18	56	216
Advances to other funds				
Inventory of materials and supplies	107	22	87	6
Deposits with others				
Prepaid items				
Restricted assets:				
Investments				45,413
<b>Total assets</b>	<b>7,423</b>	<b>4,172</b>	<b>8,159</b>	<b>95,026</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	100	68	174	1,040
Accrued payroll	478			49
Due to other funds	335	27	489	431
Advances from other funds				
Deferred revenue			1,867	1,282
<b>Total liabilities</b>	<b>913</b>	<b>95</b>	<b>2,430</b>	<b>2,802</b>
<b>Fund Balances:</b>				
Reserved for encumbrances	4,140	519	875	
Reserved for notes receivable and advances				
Reserved for deposits with others				
Reserved for inactive landfill maintenance				92,218
Reserved for inventory of materials and supplies	107	22	87	6
Reserved for other purposes				
Unreserved:				
Designated for subsequent years' expenditures	86			
Undesignated	2,177	3,536	4,667	
<b>Total fund balances</b>	<b>6,510</b>	<b>4,077</b>	<b>5,629</b>	<b>92,224</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,423</b>	<b>4,172</b>	<b>8,159</b>	<b>95,026</b>

(Cont)

Financial Report of San Diego County

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
June 30, 2003  
(In Thousands)

(Cont)

	Cable TV	Parkland Dedication	Nonprofit Corporation	County Service Districts
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 2,136	7,334	97	14,536
Cash with fiscal agent			1,466	
Collections in transit		7		
Imprest cash				
Accounts and notes receivable	3			
Due from other funds	88	34		94
Advances to other funds				
Inventory of materials and supplies	1			
Deposits with others				2
Prepaid items				
Restricted assets:				
Investments				
<b>Total assets</b>	<b>2,228</b>	<b>7,375</b>	<b>1,563</b>	<b>14,632</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	11		14	607
Accrued payroll	58			6
Due to other funds	14	457		458
Advances from other funds				768
Deferred revenue				848
<b>Total liabilities</b>	<b>83</b>	<b>457</b>	<b>14</b>	<b>2,687</b>
Fund Balances:				
Reserved for encumbrances	83	560		193
Reserved for notes receivable and advances				
Reserved for deposits with others				
Reserved for inactive landfill maintenance				
Reserved for inventory of materials and supplies	1			
Reserved for other purposes				
Unreserved:				
Designated for subsequent years' expenditures				
Undesignated	2,061	6,358	1,549	11,752
<b>Total fund balances</b>	<b>2,145</b>	<b>6,918</b>	<b>1,549</b>	<b>11,945</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,228</b>	<b>7,375</b>	<b>1,563</b>	<b>14,632</b>

(Cont)



**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE**  
**June 30, 2003**  
**(In Thousands)**

(Cont)

	Flood Control District	Housing Authority	Regional Waste
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 20,462	6,946	24,798
Cash with fiscal agent		253	
Collections in transit	19	17	
Imprest cash			
Accounts and notes receivable		13,121	33,421
Due from other funds	95	111	1,257
Advances to other funds	3		
Inventory of materials and supplies			
Deposits with others	54	301	
Prepaid items		2	
Restricted assets:			
Investments			
<b>Total assets</b>	<b>20,633</b>	<b>20,751</b>	<b>59,476</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	62	1,511	
Accrued payroll			
Due to other funds	222	823	37,843
Advances from other funds			
Deferred revenue		1,298	
<b>Total liabilities</b>	<b>284</b>	<b>2,632</b>	<b>37,843</b>
Fund Balances:			
Reserved for encumbrances	1,358		
Reserved for notes receivable and advances	3	9,976	
Reserved for deposits with others	54	301	
Reserved for inactive landfill maintenance			
Reserved for inventory of materials and supplies			
Reserved for other purposes	15,096		
Unreserved:			
Designated for subsequent years' expenditures			
Undesignated	3,838	6,842	21,633
<b>Total fund balances</b>	<b>20,349</b>	<b>17,119</b>	<b>21,633</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,633</b>	<b>20,751</b>	<b>59,476</b>

(Cont)

Financial Report of San Diego County

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
June 30, 2003  
(In Thousands)

(Cont)

	Public Safety	PHSS Public Authority	Other Special Districts	Total Special Revenue
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 13,825	1,398	2,211	236,018
Cash with fiscal agent				1,720
Collections in transit			1	183
Imprest cash				17
Accounts and notes receivable	31,081			108,426
Due from other funds	14,340	291	73	19,085
Advances to other funds				3
Inventory of materials and supplies				2,098
Deposits with others				380
Prepaid items				2
Restricted assets:				
Investments				45,413
<b>Total assets</b>	<b>59,246</b>	<b>1,689</b>	<b>2,285</b>	<b>418,345</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable		75	12	8,173
Accrued payroll				2,101
Due to other funds	58,767	1,570	422	107,839
Advances from other funds				768
Deferred revenue				5,856
<b>Total liabilities</b>	<b>58,767</b>	<b>1,645</b>	<b>434</b>	<b>124,737</b>
Fund Balances:				
Reserved for encumbrances	367	41		44,988
Reserved for notes receivable and advances				30,331
Reserved for deposits with others				1,055
Reserved for inactive landfill maintenance				92,218
Reserved for inventory of materials and supplies				319
Reserved for other purposes				40,359
Unreserved:				
Designated for subsequent years' expenditures				86
Undesignated	112	3	1,851	79,252
<b>Total fund balances</b>	<b>479</b>	<b>44</b>	<b>1,851</b>	<b>288,608</b>
<b>Total liabilities and fund balances</b>	<b>\$ 59,246</b>	<b>1,689</b>	<b>2,285</b>	<b>418,345</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DEBT SERVICE**  
**June 30, 2003**  
**(In Thousands)**

	Pension Obligation	Nonprofit Corporation	Redevelopment Agency	Total Debt Service
	Bonds			
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 20	1,128	1,955	3,103
Cash with fiscal agent	2,333	24,069	430	26,832
Accounts receivable		340	12	352
Due from other funds	16	6	8	30
Advances to other funds		414		414
<b>Total assets</b>	<b>2,369</b>	<b>25,957</b>	<b>2,405</b>	<b>30,731</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds			424	424
Advances from other funds			287	287
<b>Total liabilities</b>			<b>711</b>	<b>711</b>
Fund balances:				
Reserved for debt service	2,369	25,957	1,694	30,020
<b>Total liabilities and fund balances</b>	<b>\$ 2,369</b>	<b>25,957</b>	<b>2,405</b>	<b>30,731</b>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
June 30, 2003  
(In Thousands)**

	Capital Outlay	Edgemoor Development	Nonprofit Corporation	Redevelopment Agency	Total Capital Projects
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 11,609	1,187	9,146	4,018	25,960
Cash with fiscal agent			521		521
Collections in transit		75			75
Accounts and notes receivable	5,222	7		11	5,240
Due from other funds	11,741	5	45	441	12,232
Deposits with others	107				107
Prepaid items	6				6
<b>Total assets</b>	<b>28,685</b>	<b>1,274</b>	<b>9,712</b>	<b>4,470</b>	<b>44,141</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	4,619			421	5,040
Due to other funds	17,840	2		108	17,950
Advances from other funds				10,177	10,177
Deferred revenue	1,130				1,130
<b>Total liabilities</b>	<b>23,589</b>	<b>2</b>		<b>10,706</b>	<b>34,297</b>
<b>Fund balances:</b>					
Reserved for encumbrances		66		7	73
Unreserved	5,096	1,206	9,712	(6,243)	9,771
<b>Total fund balances</b>	<b>5,096</b>	<b>1,272</b>	<b>9,712</b>	<b>(6,236)</b>	<b>9,844</b>
<b>Total liabilities and fund balances</b>	<b>28,685</b>	<b>1,274</b>	<b>9,712</b>	<b>4,470</b>	<b>44,141</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2003  
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental
<b>Revenues:</b>				
Taxes	\$ 45,861	534	4,025	50,420
Licenses, permits and franchises	10,495			10,495
Fines, forfeitures and penalties	2,173		2,817	4,990
Revenue from use of money and property	9,741	1,364	2,025	13,130
Aid from other governmental agencies:				
State	492,095		30,116	522,211
Federal	97,486		1,193	98,679
Other	6,227	6,356	3,680	16,263
Charges for current services	23,407		42	23,449
Other revenue	6,492		2,740	9,232
<b>Total revenues</b>	<b>698,977</b>	<b>8,254</b>	<b>46,638</b>	<b>748,369</b>
<b>Expenditures:</b>				
Current:				
General	2,006	11,068	3,967	17,041
Public protection	21,382		271	21,653
Public ways and facilities	101,347			101,347
Health and sanitation	30,442		169	30,611
Public assistance	91,905			91,905
Education	24,364			24,364
Recreational and cultural	921			921
Capital outlay			83,748	83,748
Debt service				
Principal	1,093	78,193		79,286
Interest	73	35,588		35,661
<b>Total expenditures</b>	<b>273,533</b>	<b>124,849</b>	<b>88,155</b>	<b>486,537</b>
Excess of revenues over (under) expenditures	420,444	(116,595)	(41,517)	262,332
<b>Other financing sources (uses):</b>				
Sale of capital assets			463	463
Transfers in	83,565	119,855	86,771	290,191
Transfers (out)	(537,437)	(1,161)	(50,719)	(589,317)
Long term debt proceeds	436			436
<b>Total other financing sources (uses)</b>	<b>(453,436)</b>	<b>118,694</b>	<b>36,515</b>	<b>(298,227)</b>
Net change in fund balances	(32,992)	2,099	(5,002)	(35,895)
<b>Fund balances - beginning of year</b>	<b>321,538</b>	<b>27,921</b>	<b>14,846</b>	<b>364,305</b>
Increase (decrease) in:				
Reserve for inventory of materials and supplies	62			62
<b>Fund balances - end of year</b>	<b>\$ 288,608</b>	<b>30,020</b>	<b>9,844</b>	<b>328,472</b>

**Financial Report of San Diego County**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
Year Ended June 30, 2003  
(In Thousands)**

	Roads	ICB	Air Pollution	Lighting District
<b>Revenues:</b>				
Taxes	\$ 21,766			709
Licenses, permits and franchises	77		7,053	
Fines, forfeitures and penalties	58		1,244	
Revenue from use of money and property	1,045		711	27
Aid from other governmental agencies:				
State	48,809		1,565	10
Federal	2,576	10,019	1,811	1
Other		964	4,702	
Charges for current services	14,045		413	289
Other revenue	1,288	102	150	4
<b>Total revenues</b>	<b>89,564</b>	<b>11,085</b>	<b>17,849</b>	<b>1,040</b>
<b>Expenditures:</b>				
Current:				
General				
Public protection				
Public ways and facilities	97,325		26,445	1,443
Health and sanitation		5,278		
Public assistance				
Education				
Recreational and cultural				
Debt service				
Principal				
Interest				
<b>Total expenditures</b>	<b>97,325</b>	<b>5,278</b>	<b>26,445</b>	<b>1,443</b>
Excess of revenues over (under) expenditures	(7,661)	5,807	(8,796)	(403)
<b>Other financing sources (uses):</b>				
Transfers in	1,293		3,273	
Transfers (out)	(1,484)	(1,562)	(3,542)	
Long term debt proceeds				
<b>Total other financing sources (uses)</b>	<b>(191)</b>	<b>(1,562)</b>	<b>(269)</b>	
Net change in fund balances	(7,852)	4,245	(9,065)	(403)
<b>Fund balances - beginning of year</b>	<b>52,445</b>	<b>16,117</b>	<b>39,018</b>	<b>1,594</b>
Increase (decrease) in:				
Reserve for inventory of materials and supplies			37	
<b>Fund balances - end of year</b>	<b>\$ 44,593</b>	<b>20,362</b>	<b>29,990</b>	<b>1,191</b>

(Cont)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
Year Ended June 30, 2003  
(In Thousands)**

(Cont)

	County Library	Asset Forfeitures Programs	Income Welfare Programs	Income Transfers
<b>Revenues:</b>				
Taxes	\$ 18,466			
Licenses, permits and franchises				
Fines, forfeitures and penalties		815		
Revenue from use of money and property	142	90	3,348	3,499
Aid from other governmental agencies:				
State	1,293			89
Federal	5			
Other				11
Charges for current services	1,288		302	919
Other revenue	729	37	8	512
<b>Total revenues</b>	<b>21,923</b>	<b>942</b>	<b>3,658</b>	<b>5,010</b>
<b>Expenditures:</b>				
Current:				
General				
Public protection		1,068	2,762	11,179
Public ways and facilities				
Health and sanitation				
Public assistance				
Education	24,364			
Recreational and cultural				
Debt service				
Principal				980
Interest				14
<b>Total expenditures</b>	<b>24,364</b>	<b>1,068</b>	<b>2,762</b>	<b>12,173</b>
Excess of revenues over (under) expenditures	(2,441)	(126)	896	(7,143)
<b>Other financing sources (uses):</b>				
Transfers in	2,454		400	1,500
Transfers (out)	(1,410)		(1,597)	(153)
Long term debt proceeds				
<b>Total other financing sources (uses)</b>	<b>1,044</b>		<b>(1,197)</b>	<b>1,347</b>
Net change in fund balances	(1,397)	(126)	(301)	(5,796)
<b>Fund balances - beginning of year</b>	<b>7,923</b>	<b>4,181</b>	<b>5,911</b>	<b>98,020</b>
Increase (decrease) in:				
Reserve for inventory of materials and supplies	(16)	22	19	
<b>Fund balances - end of year</b>	<b>\$ 6,510</b>	<b>\$ 4,077</b>	<b>\$ 5,629</b>	<b>\$ 92,224</b>

(Cont)

**Financial Report of San Diego County**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
Year Ended June 30, 2003  
(In Thousands)**

(Cont)

	Cable TV	Parkland Dedication	Nonprofit Corporation	County Service Districts
<b>Revenues:</b>				
Taxes	\$			2,419
Licenses, permits and franchises	2,143	1,198		
Fines, forfeitures and penalties				
Revenue from use of money and property	46	145	144	304
Aid from other governmental agencies:				
State				34
Federal				
Other			55	484
Charges for current services	44			5,891
Other revenue	6			25
<b>Total revenues</b>	<b>2,239</b>	<b>1,343</b>	<b>(99)</b>	<b>9,157</b>
<b>Expenditures:</b>				
Current:				
General	1,864		70	
Public protection				877
Public ways and facilities				1,685
Health and sanitation				3,997
Public assistance				
Education				
Recreational and cultural		138		783
Debt service				
Principal				113
Interest				59
<b>Total expenditures</b>	<b>1,864</b>	<b>138</b>	<b>70</b>	<b>7,514</b>
Excess of revenues over (under) expenditures	375	1,205	129	1,643
<b>Other financing sources (uses):</b>				
Transfers in	71		58,800	45
Transfers (out)	(76)	(664)	(59,049)	(1,307)
Long term debt proceeds				436
<b>Total other financing sources (uses)</b>	<b>(5)</b>	<b>(664)</b>	<b>(249)</b>	<b>(826)</b>
Net change in fund balances	370	541	(120)	817
<b>Fund balances - beginning of year</b>	<b>1,775</b>	<b>6,377</b>	<b>1,669</b>	<b>11,128</b>
Increase (decrease) in:				
Reserve for inventory of materials and supplies				
<b>Fund balances - end of year</b>	<b>\$ 2,145</b>	<b>6,918</b>	<b>1,549</b>	<b>11,945</b>

(Cont)



**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
Year Ended June 30, 2003  
(In Thousands)**

(Cont)

	Flood Control Districts	Housing Authority	Realignment	Public Safety
<b>Revenues:</b>				
Taxes	\$ 2,501			
Licenses, permits and franchises				
Fines, forfeitures and penalties				
Revenue from use of money and property	67	133		
Aid from other governmental agencies:				
State	37	145	257,499	182,439
Federal	1	83,072		
Other		11		
Charges for current services	36	4		
Other revenue	2,730	901		
<b>Total Revenues</b>	<b>5,372</b>	<b>84,266</b>	<b>257,499</b>	<b>182,439</b>
<b>Expenditures:</b>				
Current:				
General				
Public protection	5,496			
Public ways and facilities				
Health and sanitation				
Public assistance		85,196		
Education				
Recreational and cultural				
Debt service				
Principal				
Interest				
<b>Total expenditures</b>	<b>5,496</b>	<b>85,196</b>		
Excess of revenues over (under) expenditures	(124)	(930)	257,499	182,439
<b>Other financing sources (uses):</b>				
Transfers in	1,050	1,679	13,000	
Transfers (out)		(410)	(265,478)	(198,414)
Long term debt proceeds				
<b>Total other financing sources (uses)</b>	<b>1,050</b>	<b>1,269</b>	<b>(252,478)</b>	<b>(198,414)</b>
Net change in fund balances	926	339	5,021	(15,975)
<b>Fund balances - beginning of year</b>	<b>19,423</b>	<b>16,780</b>	<b>16,612</b>	<b>16,454</b>
Increase (decrease) in:				
Reserve for inventory of materials and supplies				
<b>Fund balances - end of year</b>	<b>\$ 20,349</b>	<b>17,119</b>	<b>21,633</b>	<b>479</b>

(Cont)

**Financial Report of San Diego County**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
Year Ended June 30, 2003  
(In Thousands)**

(Cont)

	Public Utilities Authority	Other Special Districts	Total Special Revenue
<b>Revenues:</b>			
Taxes	\$		45,861
Licenses, permits and franchises		24	10,495
Fines, forfeitures and penalties		56	2,173
Revenue from use of money and property	40		9,741
Aid from other governmental agencies:			
State		175	492,095
Federal		1	97,486
Other			6,227
Charges for current services		176	23,407
Other revenue			6,492
<b>Total revenues</b>	<b>40</b>	<b>432</b>	<b>595,372</b>
<b>Expenditures:</b>			
Current:			
General		72	2,006
Public protection			21,382
Public ways and facilities		894	101,347
Health and sanitation			30,442
Public assistance	1,431		91,905
Education			24,364
Recreational and cultural			921
Debt service			
Principal			1,093
Interest			73
<b>Total expenditures</b>	<b>1,431</b>	<b>966</b>	<b>233,088</b>
Excess of revenues over (under) expenditures	(1,391)	(534)	420,444
<b>Other financing sources (uses):</b>			
Transfers in			83,565
Transfers (out)	(1,258)	(1,033)	(537,437)
Long term debt proceeds			436
<b>Total other financing sources (uses)</b>	<b>(1,258)</b>	<b>(1,033)</b>	<b>(453,436)</b>
Net change in fund balances	(2,649)	(1,567)	(32,992)
<b>Fund balances - beginning of year</b>	<b>2,693</b>	<b>3,418</b>	<b>321,538</b>
Increase (decrease) in:			
Reserve for inventory of materials and supplies			62
<b>Fund balances - end of year</b>	<b>\$ 44</b>	<b>1,851</b>	<b>288,608</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
Year Ended June 30, 2003  
(In Thousands)**

	Pension Obligation Bonds	Nonprofit Corporation	Redevelopment Agency	Special Aviation	Total Debt Service
<b>Revenues:</b>					
Taxes	\$		534		534
Revenue from use of money and property	7	1,318	39		1,364
Aid from other governmental agencies:					
Other	6,350		6		6,356
<b>Total revenues</b>	<b>6,357</b>	<b>1,318</b>	<b>579</b>		<b>8,254</b>
<b>Expenditures:</b>					
Current:					
General	10,900	168			11,068
Debt service					
Principal	39,420	38,505	125	143	78,193
Interest	14,365	20,738	299	186	35,588
<b>Total expenditures</b>	<b>54,685</b>	<b>59,411</b>	<b>424</b>	<b>329</b>	<b>114,849</b>
Excess of revenues over (under) expenditures	(58,328)	(58,093)	155	(329)	(116,595)
<b>Other financing sources (uses):</b>					
Transfers in	60,477	59,049		329	119,855
Transfers (out)		(1,161)			(1,161)
Proceeds of refunding bonds					
Payment to refunded bond escrow agent					
<b>Total other financing sources (uses)</b>	<b>60,477</b>	<b>57,888</b>		<b>329</b>	<b>118,694</b>
Net change in fund balances	2,149	(205)	155		2,099
<b>Fund balances - beginning of year</b>	<b>220</b>	<b>26,162</b>	<b>1,539</b>		<b>27,921</b>
<b>Fund balances - end of year</b>	<b>\$ 2,369</b>	<b>25,957</b>	<b>1,694</b>		<b>30,020</b>

Financial Report of San Diego County

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
Year Ended June 30, 2003  
(In Thousands)

	Capital Outlay	Economic Development	Nonprofit Corporation	Redevelopment Agency	Total Capital Projects
<b>Revenues:</b>					
Taxes	\$ 2,322			1,703	4,025
Fines, forfeitures and penalties	2,817				2,817
Revenue from use of money and property	1,287	262	398	78	2,025
Aid from other governmental agencies:					
State	30,116				30,116
Federal	1,193				1,193
Other	3,680				3,680
Charges for current services	42				42
Other revenue	2,674			66	2,740
<b>Total revenues</b>	<b>44,131</b>	<b>262</b>	<b>398</b>	<b>1,847</b>	<b>46,638</b>
<b>Expenditures:</b>					
Current:					
General	3,280			687	3,967
Public protection				271	271
Health and sanitation		169			169
Capital outlay	76,606		7,142		83,748
<b>Total expenditures</b>	<b>79,886</b>	<b>169</b>	<b>7,142</b>	<b>958</b>	<b>88,155</b>
Excess of revenues over (under) expenditures	(35,755)	93	(6,744)	889	(41,517)
<b>Other financing sources (uses):</b>					
Sale of capital assets		463			463
Transfers in	86,771				86,771
Transfers (out)	(50,719)				(50,719)
<b>Total other financing sources (uses)</b>	<b>36,052</b>	<b>463</b>			<b>36,515</b>
Net change in fund balances	297	556	(6,744)	889	(5,002)
<b>Fund balances - beginning of year</b>	<b>4,799</b>	<b>716</b>	<b>16,456</b>	<b>(7,125)</b>	<b>14,846</b>
<b>Fund balances - end of year</b>	<b>\$ 5,096</b>	<b>1,272</b>	<b>9,712</b>	<b>(6,236)</b>	<b>9,844</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
ROAD FUND  
Year Ended June 30, 2003  
(In Thousands)**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Base	With Final Budgetary Base (Negs)
<b>Revenues</b>				
Taxes	\$ 21,630	21,750	21,766	16
Licenses, permits and franchises	53	53	77	24
Fines, forfeitures and penalties			58	58
Revenue from use of money and property	1,933	1,933	1,153	(780)
Aid from other governmental agencies:				
State	50,093	50,093	48,809	(1,284)
Federal	3,862	16,466	2,576	(13,890)
Charges for current services	14,364	15,981	14,045	(1,936)
Other revenue	14	14	1,288	1,274
<b>Total revenues</b>	<b>91,949</b>	<b>106,290</b>	<b>89,772</b>	<b>(16,518)</b>
<b>Expenditures</b>				
Current:				
Public ways and facilities				
Public works road	163,261	150,932	115,175	35,757
<b>Total expenditures</b>	<b>163,261</b>	<b>150,932</b>	<b>115,175</b>	<b>35,757</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(71,312)</b>	<b>(44,642)</b>	<b>(25,403)</b>	<b>(19,089)</b>
<b>Other financing sources (uses)</b>				
Transfers in	407	1,497	1,293	(204)
Transfers (out)	(1,484)	(1,484)	(1,484)	
Encumbrances, beginning of year	27,345	27,345	27,345	
<b>Total other financing sources (uses)</b>	<b>26,268</b>	<b>27,358</b>	<b>27,154</b>	<b>(204)</b>
<b>Net change in fund balance</b>	<b>\$ (45,044)</b>	<b>(17,284)</b>	<b>1,751</b>	<b>19,085</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**

**HCD FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance With Final Budget Pos. (Neg.)
	Original	Final		
<b>Revenues</b>				
Aid from other governmental agencies:				
Federal	\$ 31,349	35,651	10,019	(25,632)
Other	126	134	964	830
Other revenue			102	102
<b>Total revenues</b>	<b>31,475</b>	<b>35,785</b>	<b>11,085</b>	<b>(24,700)</b>
<b>Expenditures</b>				
Current:				
Public assistance				
Housing and community dev.	26,708	31,018	5,278	25,740
<b>Total expenditures</b>	<b>26,708</b>	<b>31,018</b>	<b>5,278</b>	<b>25,740</b>
<b>Excess of revenues over (under) expenditures</b>	<b>4,767</b>	<b>4,767</b>	<b>5,807</b>	<b>1,040</b>
<b>Other financing sources (uses)</b>				
Transfers (out)	(4,767)	(4,767)	(1,562)	3,205
<b>Total other financing sources (uses)</b>	<b>(4,767)</b>	<b>(4,767)</b>	<b>(1,562)</b>	<b>3,205</b>
<b>Net change in fund balance</b>			<b>4,245</b>	<b>4,245</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**

**AIR POLLUTION FUND  
Year Ended June 30, 2003  
(In Thousands)**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Base	With Final Budget Pos. (Neg.)
<b>Revenues</b>				
Licenses, permits and franchises	\$ 6,714	6,714	7,053	339
Fines, forfeitures and penalties	490	490	1,244	754
Revenue from use of money and property	310	310	813	503
Aid from other governmental agencies:				
State	1,039	1,839	1,566	(273)
Federal	1,935	2,187	1,811	(376)
Other	3,062	3,061	4,702	1,641
Charges for current services	704	704	413	(291)
Other revenue			148	148
<b>Total revenues</b>	<b>14,254</b>	<b>15,305</b>	<b>17,740</b>	<b>2,435</b>
<b>Expenditures</b>				
Current:				
Health and sanitation				
Air pollution control	38,282	48,790	45,333	3,457
<b>Total expenditures</b>	<b>38,282</b>	<b>48,790</b>	<b>45,333</b>	<b>3,457</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(24,028)</b>	<b>(33,485)</b>	<b>(27,593)</b>	<b>5,902</b>
<b>Other financing sources (uses)</b>				
Sale of capital assets			2	2
Transfers in	3,273	3,273	3,273	
Transfers (out)	(3,542)	(3,542)	(3,542)	
Encumbrances, beginning of year	22,389	22,389	22,389	
<b>Total other financing sources (uses)</b>	<b>22,120</b>	<b>22,120</b>	<b>22,122</b>	<b>2</b>
<b>Net change in fund balance</b>	<b>\$ (1,908)</b>	<b>(11,365)</b>	<b>(5,471)</b>	<b>5,904</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
LIGHTING DISTRICT FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance With Final Budget Pos. (Neg.)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 700	700	709	9
Revenue from use of money and property	50	50	31	(19)
Aid from other governmental agencies:				
State	10	10	11	1
Charges for current services	250	250	290	40
Other revenue			4	4
<b>Total revenues</b>	<b>1,010</b>	<b>1,010</b>	<b>1,045</b>	<b>35</b>
<b>Expenditures</b>				
Current:				
Public ways and facilities				
Public works lighting district	1,822	1,803	1,558	245
<b>Total expenditures</b>	<b>1,822</b>	<b>1,803</b>	<b>1,558</b>	<b>245</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(812)</b>	<b>(793)</b>	<b>(513)</b>	<b>280</b>
<b>Other financing sources (uses)</b>				
Encumbrances, beginning of year	21	21	21	
<b>Total other financing sources (uses)</b>	<b>21</b>	<b>21</b>	<b>21</b>	
<b>Balance in fund balance</b>	<b>(791)</b>	<b>(772)</b>	<b>(492)</b>	<b>280</b>



**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
COUNTY LIBRARY FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Pos. (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 20,004	20,004	18,466	(1,538)
Revenue from use of money and property	288	288	162	(126)
Aid from other governmental agencies:				
State	1,624	1,640	1,293	(347)
Federal			5	5
Charges for current services	893	893	1,288	395
Other revenue	564	664	727	63
<b>Total revenues</b>	<b>23,373</b>	<b>23,489</b>	<b>21,941</b>	<b>(1,548)</b>
<b>Expenditures</b>				
Current:				
Education				
County library	28,984	31,048	28,505	2,543
<b>Total expenditures</b>	<b>28,984</b>	<b>31,048</b>	<b>28,505</b>	<b>2,543</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(5,611)</b>	<b>(7,559)</b>	<b>(6,564)</b>	<b>995</b>
<b>Other financing sources (uses)</b>				
Transfers in	2,400	2,454	2,457	3
Transfers (out)	(1,014)	(1,761)	(1,410)	351
Encumbrances, beginning of year	3,975	3,975	3,975	
<b>Total other financing sources (uses)</b>	<b>5,361</b>	<b>4,668</b>	<b>5,022</b>	<b>354</b>
<b>Net change in fund balance</b>	<b>\$ (250)</b>	<b>(2,891)</b>	<b>(1,542)</b>	<b>1,349</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
ASSET FORFEITURE PROGRAM FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Base</u>	<u>with Final</u> <u>Budget</u> <u>Pos. (Neg.)</u>
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 600	641	815	174
Revenue from use of money and property			99	99
Other revenue			37	37
<b>Total revenues</b>	<b>600</b>	<b>641</b>	<b>951</b>	<b>310</b>
<b>Expenditures</b>				
Current:				
Public protection				
Sheriff's asset forfeiture	1,661	1,661	1,298	363
Probation asset forfeiture	180	180	69	111
DA asset forfeiture		194	170	24
DA asset forfeiture - state		50	50	
<b>Total expenditures</b>	<b>1,841</b>	<b>1,985</b>	<b>1,587</b>	<b>398</b>
<b>Excess of revenues over</b>				
<b>(under) expenditures</b>	<b>(1,241)</b>	<b>(1,344)</b>	<b>(636)</b>	<b>308</b>
<b>Other financing sources (uses)</b>				
Encumbrances, beginning of year	61	61	61	
<b>Total other financing</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b></b>
<b>sources (uses)</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b></b>
<b>Net change in fund balances</b>	<b>(1,180)</b>	<b>(1,283)</b>	<b>(575)</b>	<b>308</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
INMATE WELFARE PROGRAM FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary/ Basis</u>	<u>Variance with Final Budget Pos. (Neg.)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>	\$			
Revenue from use of money and property	3,960	3,960	3,357	(603)
Charges for current services			302	302
Other revenue	350	350	8	(342)
<b>Total revenues</b>	<b>4,310</b>	<b>4,310</b>	<b>3,667</b>	<b>(643)</b>
<b>Expenditures</b>				
Current:				
Public protection				
Sheriff's inmate welfare	5,209	4,092	2,289	1,803
Probation inmate welfare	421	568	567	1
<b>Total expenditures</b>	<b>5,630</b>	<b>4,660</b>	<b>2,856</b>	<b>1,804</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,320)</b>	<b>(350)</b>	<b>811</b>	<b>(1,161)</b>
<b>Other financing sources (uses)</b>				
Transfers in	400	400	400	
Transfers (out)	(2,107)	(2,931)	(2,378)	553
Encumbrances, beginning of year	1,086	1,086	1,086	
<b>Total other financing sources (uses)</b>	<b>(621)</b>	<b>(1,455)</b>	<b>(892)</b>	<b>553</b>
<b>Net change in fund balances</b>	<b>(1,941)</b>	<b>(1,795)</b>	<b>(81)</b>	<b>(1,444)</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
INACTIVE WASTESITES FUND  
Year Ended June 30, 2003  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Pos. (Neg)
<b>Revenues</b>				
Revenue from use of money and property	\$ 45	45	3,502	3,457
Aid from other governmental agencies:				
State	432	532	89	(443)
Other			11	11
Charges for current services	11,571	13,415	918	(12,497)
Other revenue	597	597	512	(85)
<b>Total revenues</b>	<b>12,645</b>	<b>14,589</b>	<b>5,032</b>	<b>(9,557)</b>
<b>Expenditures</b>				
Current:				
Public protection				
Inactive waste site management	15,658	16,240	11,317	4,923
Debt service	80	1,004	994	10
<b>Total expenditures</b>	<b>15,738</b>	<b>17,244</b>	<b>12,311</b>	<b>4,933</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,093)</b>	<b>(2,655)</b>	<b>(7,279)</b>	<b>(4,624)</b>
<b>Other financing sources (uses)</b>				
Transfers in	472	1,972	1,500	(472)
Transfers (out)	(174)	(244)	(153)	91
Long term debt proceeds	111	111	111	
<b>Total other financing sources (uses)</b>	<b>409</b>	<b>1,839</b>	<b>1,458</b>	<b>(316)</b>
<b>Net change in fund balance</b>	<b>\$ (2,684)</b>	<b>(816)</b>	<b>(5,821)</b>	<b>(5,005)</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
CABLE TV FUND  
Year Ended June 30, 2003  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	with Final Budget Pos. (Neg.)
<b>Revenues</b>				
Licenses, permits and franchises	\$ 2,069	2,069	2,143	74
Revenue from use of money and property			49	49
Charges for current services			44	44
Other revenue			6	6
<b>Total revenues</b>	<b>2,069</b>	<b>2,069</b>	<b>2,242</b>	<b>179</b>
<b>Expenditures</b>				
Current:				
General				
Media and public relations	2,181	2,250	1,947	303
<b>Total expenditures</b>	<b>2,181</b>	<b>2,250</b>	<b>1,947</b>	<b>303</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(112)</b>	<b>(181)</b>	<b>295</b>	<b>476</b>
<b>Other financing sources (uses)</b>				
Transfers in	70	71	71	
Transfers (out)	(76)	(76)	(76)	
Encumbrances, beginning of year	93	93	93	
<b>Total other financing sources (uses)</b>	<b>87</b>	<b>88</b>	<b>88</b>	
<b>Net change in fund balance</b>	<b>(25)</b>	<b>(93)</b>	<b>383</b>	<b>476</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
PARKLAND DEDICATION FUND  
Year Ended June 30, 2003  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Pos. Neg.
<b>Revenues</b>				
Licenses, permits and franchises	\$ 1,408	1,408	1,198	(210)
Revenue from use of money and property	200	200	159	(41)
<b>Total revenues</b>	<b>1,608</b>	<b>1,608</b>	<b>1,357</b>	<b>(251)</b>
<b>Expenditures</b>				
Current:				
Recreational and cultural				
Parks & recreation parkland dedication	6,289	5,349	698	4,651
<b>Total expenditures</b>	<b>6,289</b>	<b>5,349</b>	<b>698</b>	<b>4,651</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(4,681)</b>	<b>(3,741)</b>	<b>659</b>	<b>(4,400)</b>
<b>Other financing sources (uses)</b>				
Transfers (out)		(1,114)	(664)	450
Encumbrances, beginning of year	944	944	944	
<b>Total other financing sources (uses)</b>	<b>944</b>	<b>(170)</b>	<b>280</b>	<b>450</b>
<b>Net change in fund balance</b>	<b>\$ (3,737)</b>	<b>(3,911)</b>	<b>939</b>	<b>(4,850)</b>

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SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
COUNTY SERVICE DISTRICTS FUND  
Year Ended June 30, 2003  
(In Thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Pos. (Neg.)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,155	2,155	2,419	264
Revenue from use of money and property	225	230	321	91
Aid from other governmental agencies:				
State	92	92	35	(57)
Other			484	484
Charges for current services	6,859	6,589	5,891	(698)
Other revenue			116	116
<b>Total revenues</b>	<b>9,331</b>	<b>9,066</b>	<b>9,266</b>	<b>200</b>
<b>Expenditures</b>				
Current:				
Public protection				
Sheriff	1,873	1,888	1,321	567
Public works	642	793	678	115
Public ways and facilities				
Public works	3,491	7,151	1,705	5,446
Health and sanitation				
Health & human services	4,417	4,187	4,090	97
Public works	96	128	33	95
Recreational and cultural				
Parks & recreations	2,553	2,564	807	1,757
Debt service	377	439	396	43
<b>Total expenditures</b>	<b>13,449</b>	<b>17,150</b>	<b>9,030</b>	<b>8,120</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(4,118)</b>	<b>(8,084)</b>	<b>236</b>	<b>8,320</b>
<b>Other financing sources (uses)</b>				
Transfers in	9	45	45	
Transfers (out)	(476)	(513)	(206)	307
Long term debt proceeds	1,039	1,039	1,018	(21)
Encumbrances, beginning of year	473	473	473	
<b>Total other financing sources (uses)</b>	<b>1,045</b>	<b>1,044</b>	<b>1,330</b>	<b>286</b>
<b>Net change in fund balance</b>	<b>\$ (8,073)</b>	<b>(7,040)</b>	<b>1,566</b>	<b>8,606</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
FLOOD CONTROL DISTRICTS FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>With Final</u> <u>Budget</u> <u>Pos. (Neg.)</u>
<b>Revenues</b>				
Licenses, permits and franchises	\$ 2,067	2,067	2,501	434
Revenue from use of money and property	105	105	101	(4)
Aid from other governmental agencies:				
State	400	400	37	(363)
Federal			1	1
Charges for current services	46	46	36	(10)
Other revenue	3,280	4,428	2,730	(1,698)
<b>Total revenues</b>	<b>5,898</b>	<b>7,046</b>	<b>5,406</b>	<b>(1,640)</b>
<b>Expenditures</b>				
Current:				
Public protection				
Public works flood control district	8,540	10,943	6,854	4,089
<b>Total expenditures</b>	<b>8,540</b>	<b>10,943</b>	<b>6,854</b>	<b>4,089</b>
<b>Excess of revenues over</b>				
<b>(under) expenditures</b>	<b>(2,642)</b>	<b>(3,897)</b>	<b>(1,448)</b>	<b>2,449</b>
<b>Other financing sources (uses)</b>				
Transfers in		1,050	1,050	
Encumbrances, beginning of year	1,558	1,558	1,558	
<b>Total other financing</b>				
<b>sources (uses)</b>	<b>1,558</b>	<b>2,608</b>	<b>2,608</b>	
<b>Net change in fund balance</b>	<b>\$ (1,084)</b>	<b>(1,289)</b>	<b>1,160</b>	<b>2,449</b>



**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
HOUSING AUTHORITY FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary</u>	<u>Variance with Final Budget Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
<b>Revenues</b>				
Revenue from use of money and property			133	133
Aid from other governmental agencies:				
State	150	350	145	(205)
Federal	77,936	85,339	83,072	(2,267)
Other	289	264	11	(253)
Charges for current services		4	4	
Other revenue	1,313	1,214	901	(313)
<b>Total revenues</b>	<b>79,688</b>	<b>87,171</b>	<b>84,266</b>	<b>(2,905)</b>
<b>Expenditures</b>				
Current:				
Public assistance				
Housing authority	83,750	89,856	85,196	4,660
<b>Total expenditures</b>	<b>83,750</b>	<b>89,856</b>	<b>85,196</b>	<b>4,660</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(7,062)</b>	<b>(2,685)</b>	<b>(930)</b>	<b>1,755</b>
<b>Other financing sources (uses)</b>				
Transfers in	3,910	2,417	1,679	(738)
Transfers (out)	(411)	(411)	(410)	1
<b>Total other financing sources (uses)</b>	<b>3,499</b>	<b>2,006</b>	<b>1,269</b>	<b>(777)</b>
<b>Net change in fund balance</b>	<b>\$ (3,563)</b>	<b>(679)</b>	<b>339</b>	<b>1,978</b>

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**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
REALIGNMENT FUND  
Year Ended June 30, 2003  
(In Thousands)**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Basis	With Final Budget
<b>Revenues</b>				
Aid from other governmental agencies:				
State	\$ 257,024	251,690	257,499	5,809
<b>Total revenues</b>	<b>257,024</b>	<b>251,690</b>	<b>257,499</b>	<b>5,809</b>
<b>Excess of revenues over (under) expenditures</b>	<b>257,024</b>	<b>251,690</b>	<b>257,499</b>	<b>5,809</b>
<b>Other financing sources (uses)</b>				
Transfers in	13,000	13,000	13,000	
Transfers (out)	(281,133)	(281,133)	(265,478)	15,655
<b>Total other financing sources (uses)</b>	<b>(268,133)</b>	<b>(268,133)</b>	<b>(252,478)</b>	<b>15,655</b>
<b>Net change in fund balance</b>	<b>\$ (11,109)</b>	<b>(16,443)</b>	<b>5,021</b>	<b>21,464</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
PUBLIC SAFETY FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance With Final Budget Pos. (Neg.)
	Original	Final		
<b>Revenues</b>				
Aid from other governmental agencies:				
State	\$ 181,458	181,458	182,439	981
<b>Total revenues</b>	<b>181,458</b>	<b>181,458</b>	<b>182,439</b>	<b>981</b>
<b>Excess of revenues over (under) expenditures</b>	<b>181,458</b>	<b>181,458</b>	<b>182,439</b>	<b>981</b>
<b>Other financing sources (uses)</b>				
Transfers (out)	(203,761)	(203,761)	(198,781)	4,980
Encumbrances, beginning of year	3,243	3,243	3,243	
<b>Total other financing sources (uses)</b>	<b>(200,518)</b>	<b>(200,518)</b>	<b>(195,538)</b>	<b>4,980</b>
<b>Net change in fund balance</b>	<b>\$ (19,060)</b>	<b>(19,060)</b>	<b>(13,099)</b>	<b>5,961</b>

Financial Report of San Diego County

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
IHSS PUBLIC AUTHORITY FUND  
Year Ended June 30, 2003  
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	with Final Budget Pos (Neg)
<b>Revenues</b>				
Revenue from use of money and property	\$		49	49
<b>Total revenues</b>			49	49
<b>Expenditures</b>				
Current:				
Public assistance				
Health & human services	3,889	2,645	1,472	1,173
<b>Total expenditures</b>	3,889	2,645	1,472	1,173
<b>Excess of revenues over</b>				
<b>(under) expenditures</b>	(3,889)	(2,645)	(1,423)	(1,272)
<b>Other financing sources (uses)</b>				
Transfers in	3,767	2,627		(2,627)
Transfers (out)		(1,258)	(1,258)	
Encumbrances, beginning of year	122	122	122	
<b>Total other financing</b>				
<b>sources (uses)</b>	3,889	1,491	(1,136)	(2,627)
<b>Net change in fund balance</b>	\$	(1,154)	(2,559)	(1,405)

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
OTHER SPECIAL DISTRICTS FUND  
Year Ended June 30, 2003  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>with Final</u> <u>Budget</u> <u>Pos. (Neg.)</u>
<b>Revenues</b>				
Licenses, permits and franchises	\$ 16	16	24	8
Fines, forfeitures and penalties	172	172	67	(105)
Aid from other governmental agencies:				
State	4,447	4,447	175	(4,272)
Federal			1	1
Other			176	176
<b>Total revenues</b>	<b>4,635</b>	<b>4,635</b>	<b>443</b>	<b>(4,192)</b>
<b>Expenditures</b>				
Current:				
General				
Agriculture weights & measures grazing	25	25	25	
Agriculture weights & measures fish & game	40	80	47	33
Public ways and facilities				
Public works special aviation	4,618	3,878	894	2,984
Debt service				
<b>Total expenditures</b>	<b>4,683</b>	<b>3,983</b>	<b>966</b>	<b>3,017</b>
<b>Excess of revenues over</b>				
<b>(under) expenditures</b>	<b>(48)</b>	<b>(88)</b>	<b>(523)</b>	<b>(61,175)</b>
<b>Other financing sources (uses)</b>				
Transfers (out)		(740)	(1,033)	(293)
<b>Total other financing</b>		<b>(740)</b>	<b>(1,033)</b>	<b>(293)</b>
<b>sources (uses)</b>		<b>(740)</b>	<b>(1,033)</b>	<b>(293)</b>
<b>Net change in fund balance</b>	<b>\$ (48)</b>	<b>(88)</b>	<b>(1,556)</b>	<b>(1,468)</b>

**INTERNAL SERVICE FUNDS**

Internal service funds are established to account for services furnished to other county departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

ROAD AND COMMUNICATION EQUIPMENT FUND

This fund was established to account for the financing of public works and communications equipment provided to other county departments on a cost reimbursement basis.

PURCHASING FUND

This fund accounts for the financing of materials and supplies provided to county departments on a cost reimbursement basis.

SPECIAL DISTRICT LOANS FUND

This fund was established to provide financing for start up services for new and existing county service districts on a cost reimbursement basis.

RISK FINANCING FUND

This fund was established to account for all of the county's uninsured risk management activities.

FLEET SERVICES FUND

This fund was established to account for the financing of General Services' Fleet vehicles provided to other County departments on a cost reimbursement basis.

MAIL, PRINT & RECORDS FUND

This fund was established to account for the financing of general services' mail, printing and record storage services provided to other county departments on a cost reimbursement basis.

FACILITIES MANAGEMENT FUND

This fund was established to account for the financing of public service utilities, property management, and architectural and engineering services provided to other county departments on a cost reimbursement basis.

INFORMATION TECHNOLOGY FUND

This fund was established to account for the financing of software applications for human resources, payroll, and financial systems as well as telecommunication services provided to other county departments on a cost reimbursement basis.

OTHER MISCELLANEOUS FUND

This fund was established to provide for the financing of clothing and personal sundry items for persons institutionalized at various County facilities.



**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2003**  
**(In Thousands)**

	Road and Communications Equipment	Purchasing	Special District Loans
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 13,645	2,848	214
Collections in transit		34	
Imprest cash		200	
Accounts and notes receivable	36	7	
Due from other funds	359	1,788	63
Advances to other funds			632
Inventory of materials and supplies			
<b>Total current assets</b>	<b>14,040</b>	<b>4,877</b>	<b>909</b>
Capital assets:			
Contracts in progress		73	
Buildings and equipment	23,113	73	
Less accumulated depreciation	(11,490)	(65)	
<b>Total noncurrent assets</b>	<b>11,623</b>	<b>8</b>	
<b>Total assets</b>	<b>25,663</b>	<b>4,885</b>	<b>909</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	20	1,496	
Accrued payroll		104	
Accrued interest			
Due to other funds	808	54	
Claims and judgments			
Compensated absences		24	
Deferred Revenue			
Bonds, notes, and loans payable			
<b>Total current liabilities</b>	<b>828</b>	<b>1,678</b>	
Noncurrent liabilities:			
Compensated absences		218	
Claims and judgments			
<b>Total noncurrent liabilities</b>		<b>218</b>	
<b>Total liabilities</b>	<b>828</b>	<b>1,896</b>	
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,623	9	
Unrestricted	13,212	2,980	909
<b>Total net assets</b>	<b>\$ 24,835</b>	<b>2,989</b>	<b>909</b>



**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2003**  
**(In Thousands)**

(Cont)

	Risk Financing	Fleet Services	Mail Plant & Records	Facilities Management
<b>ASSETS</b>				
Current assets:				
Equity in pooled cash and investments	\$ 81,504	16,546	1,691	7,674
Collections in transit		74	51	25
Imprest cash			1	1
Accounts and notes receivable	11	22	87	33
Due from other funds	1,759	1,019	664	1,085
Advances to other funds				
Inventory of materials and supplies		528	241	33
<b>Total current assets</b>	<b>83,274</b>	<b>18,189</b>	<b>2,735</b>	<b>8,851</b>
Capital assets:				
Contracts in progress				
Buildings and equipment		76,032	1,446	425
Less accumulated depreciation		(33,991)	(916)	(247)
<b>Total noncurrent assets</b>		<b>42,041</b>	<b>530</b>	<b>178</b>
<b>Total assets</b>	<b>83,274</b>	<b>60,230</b>	<b>3,265</b>	<b>9,029</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,948	1,619	279	1,919
Accrued payroll		144	94	685
Accrued interest		14		
Due to other funds	4,681	86	51	4,572
Claims and judgments	32,578			
Compensated absences		31	15	137
Deferred Revenue				287
Bonds, notes, and loans payable		822	38	
<b>Total current liabilities</b>	<b>39,207</b>	<b>2,716</b>	<b>477</b>	<b>7,600</b>
Noncurrent liabilities:				
Compensated absences		280	139	1,232
Claims and judgments	68,010			
<b>Total noncurrent liabilities</b>	<b>68,010</b>	<b>280</b>	<b>139</b>	<b>1,232</b>
<b>Total liabilities</b>	<b>107,217</b>	<b>2,996</b>	<b>616</b>	<b>8,832</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt		41,219	493	158
Unrestricted	(23,943)	16,015	2,156	39
<b>Total net assets</b>	<b>\$ (23,943)</b>	<b>57,234</b>	<b>2,649</b>	<b>197</b>

(Cont)

**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2003**  
**(In Thousands)**

(Cont)

	Information Technology	Other Miscellaneous	Total
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 45,439	1,866	171,427
Collections in transit		100	284
Imprest cash			202
Accounts and notes receivable	2,978	4	3,178
Due from other funds	12,390		19,127
Advances to other funds			632
Inventory of materials and supplies		77	879
<b>Total current assets</b>	<b>60,807</b>	<b>2,047</b>	<b>195,729</b>
Capital assets:			
Contracts in progress	44,768		44,768
Buildings and equipment		288	101,377
Less accumulated depreciation		(167)	(46,876)
<b>Total noncurrent assets</b>	<b>44,768</b>	<b>121</b>	<b>99,269</b>
<b>Total Assets</b>	<b>105,575</b>	<b>2,168</b>	<b>294,998</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	11,944	201	19,426
Accrued payroll			1,027
Accrued interest			14
Due to other funds	44,513	173	54,938
Claims and judgments			32,578
Compensated absences			207
Deferred Revenue			287
Bonds, notes, and loans payable			860
<b>Total current liabilities</b>	<b>56,457</b>	<b>374</b>	<b>109,337</b>
Noncurrent liabilities:			
Compensated absences			1,869
Claims and judgments			68,010
<b>Total noncurrent liabilities</b>			<b>69,879</b>
<b>Total liabilities</b>	<b>56,457</b>	<b>374</b>	<b>179,216</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	44,768		98,270
Unrestricted	4,350	1,794	17,512
<b>Total net assets</b>	<b>\$ 49,118</b>	<b>1,794</b>	<b>115,782</b>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - INTERNAL SERVICE FUNDS  
Year Ended June 30, 2003  
(IN THOUSANDS)**

	Road and Communication Equipment	Purchasing	Special District Loans	Risk Financing
<b>Operating revenues</b>				
Charges for services	\$ 4,775	34,641		42,002
Miscellaneous		304		403
<b>Total operating revenue</b>	<b>4,775</b>	<b>34,945</b>		<b>42,405</b>
<b>Operating expenses</b>				
Salaries		2,962		
Repairs and maintenance	2,290	56		
Equipment rental		628		
Contracted services		2,402		
Depreciation	1,540	2		
Utilities		85		
Cost of material		28,253		
Claims and judgments				32,578
Fuel	568	7		
Other operating expenses	414	197		
<b>Total operating expenses</b>	<b>4,312</b>	<b>34,592</b>		<b>32,578</b>
<b>Operating income (loss)</b>	<b>(537)</b>	<b>353</b>		<b>9,827</b>
<b>Nonoperating revenues (expenses)</b>				
Interest and dividends	292	57		
Interest expense				
Loss on disposal of equipment	(16)			
<b>Total nonoperating revenues (expenses)</b>	<b>276</b>	<b>57</b>		
<b>Income (loss) before contributions and transfers</b>	<b>239</b>	<b>410</b>		<b>9,827</b>
Capital contributions	(2)			
Transfers in	120	63		
Transfers (out)	(1,000)	(142)		
<b>Change in net assets</b>	<b>(643)</b>	<b>331</b>		<b>9,827</b>
<b>Total net assets--beginning</b>	<b>25,478</b>	<b>2,658</b>	<b>909</b>	<b>(33,770)</b>
<b>Total net assets--ending</b>	<b>\$ 24,835</b>	<b>2,989</b>	<b>909</b>	<b>(23,943)</b>

(Cont)

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - INTERNAL SERVICE FUNDS  
Year Ended June 30, 2003  
(In Thousands)**

(Cont)

	Fire Services	Mall Print & Records	Facilities Management
<b>Operating revenues</b>			
Charges for services	\$ 21,193	11,613	62,000
Miscellaneous		73	1,877
<b>Total operating revenue</b>	<b>21,193</b>	<b>11,686</b>	<b>63,877</b>
<b>Operating expenses</b>			
Salaries	3,927	2,408	17,679
Repairs and maintenance	3,650	584	14,063
Equipment rental	10	40	755
Contracted services	1,684	780	7,940
Depreciation	7,849	95	23
Utilities	334	47	18,621
Cost of material	2	7,214	
Claims and judgments			
Fuel	4,215	23	121
Other operating expenses	383	283	7,109
<b>Total operating expenses</b>	<b>22,054</b>	<b>11,474</b>	<b>66,311</b>
<b>Operating income (loss)</b>	<b>(861)</b>	<b>212</b>	<b>(2,434)</b>
<b>Nonoperating revenues (expenses)</b>			
Interest and dividends	349	31	30
Interest expense	(91)	(30)	
Loss on disposal of equipment	(145)	(16)	(8)
<b>Total nonoperating revenues (expenses)</b>	<b>(145)</b>	<b>(15)</b>	<b>22</b>
<b>Income (loss) before contributions and transfers</b>	<b>(748)</b>	<b>197</b>	<b>(2,412)</b>
Capital contributions	732		
Transfers in	4,710	2	1,016
Transfers (out)	(180)	(110)	(809)
<b>Change in net assets</b>	<b>4,514</b>	<b>89</b>	<b>(2,205)</b>
<b>Total net assets--beginning</b>	<b>52,720</b>	<b>2,560</b>	<b>2,402</b>
<b>Total net assets--ending</b>	<b>\$ 57,234</b>	<b>2,649</b>	<b>197</b>

(Cont)

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - INTERNAL SERVICE FUNDS  
Year Ended June 30, 2003  
(In Thousands)**

(Cont)

	Information Technology	Other Miscellaneous	Total
<b>Operating revenues</b>			
Charges for services	\$ 115,166	2,857	294,247
Miscellaneous	15	110	2,782
<b>Total operating revenue</b>	<b>115,181</b>	<b>2,967</b>	<b>297,029</b>
<b>Operating expenses</b>			
Salaries			26,976
Repairs and maintenance		19	20,662
Equipment rental			1,433
Contracted services	112,873		125,679
Depreciation		33	9,542
Utilities			19,087
Cost of material		1,227	36,696
Claims and judgments			32,578
Fuel			4,934
Other operating expenses		227	8,613
<b>Total operating expenses</b>	<b>112,873</b>	<b>1,506</b>	<b>236,200</b>
<b>Operating income (loss)</b>	<b>2,308</b>	<b>1,461</b>	<b>10,829</b>
<b>Nonoperating revenues (expenses)</b>			
Interest and dividends			759
Interest expense			(121)
Loss on disposal of equipment			(185)
<b>Total nonoperating revenues (expenses)</b>			<b>453</b>
<b>Income (loss) before contributions and transfers</b>	<b>2,308</b>	<b>1,461</b>	<b>11,282</b>
Capital contributions	7,142		7,872
Transfers in	1,527		7,438
Transfers (out)		(1,209)	(3,450)
<b>Change in net assets</b>	<b>10,977</b>	<b>252</b>	<b>28,142</b>
<b>Total net assets--beginning</b>	<b>38,141</b>	<b>1,542</b>	<b>92,640</b>
<b>Total net assets--ending</b>	<b>\$ 49,118</b>	<b>\$ 1,794</b>	<b>\$ 115,732</b>

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2003**  
**(In Thousands)**

	Road and Communication Equipment	Purchasing	Special District Loans	Risk Financing
<b>Cash flows from operating activities:</b>				
Cash received from customers (including other funds)	\$ 4,997	34,998		41,774
Other receipts				
Cash payments to suppliers	14	(32,034)		(26,656)
Cash payments to employees		(2,967)		
Internal activity-payments to other funds	(2,948)	438		(888)
<b>Net cash provided to operating activities</b>	<b>2,063</b>	<b>435</b>		<b>14,280</b>
<b>Cash flows from non-capital financing activities:</b>				
Transfers from (to) other funds	(882)	(79)	(63)	
Advances from (to) other funds			(373)	
<b>Net cash used for non-capital financing activities</b>	<b>(882)</b>	<b>(79)</b>	<b>(436)</b>	
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(2,810)			
Capital contributions				
Proceeds from sale of equipment	115			
Principal paid on long-term debt				
Interest paid on long-term debt				
<b>Net cash used for capital and related financing activities</b>	<b>(2,695)</b>			
<b>Cash flows from investing activities:</b>				
Interest	270	62		
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>(1,242)</b>	<b>418</b>	<b>(436)</b>	<b>14,280</b>
Cash and cash equivalents - beginning of year	14,889	2,663	650	67,275
<b>Cash and cash equivalents - end of year</b>	<b>13,645</b>	<b>3,081</b>	<b>214</b>	<b>81,555</b>
<b>Reconciliation of operating income:</b>				
Operating income (loss)	(37)	353		9,827
<b>Adjustments to reconcile:</b>				
Increase (decrease) in compensated absences		10		
Increase (decrease) in accrued payroll		(8)		
Increase (decrease) in due to other funds	73	(332)		3,063
Increase (decrease) in accounts payable	(34)	(355)		(824)
Increase (decrease) in claims and judgments				2,795
Decrease (increase) in accounts receivable	(36)	(2)		(6)
Decrease (increase) in inventory	308	716		
Decrease (increase) in deferred credits				
Decrease (increase) in due from other funds	249	51		(625)
Decrease (increase) in other current assets				
Depreciation	1,540	2		
<b>Net cash provided by operating activities</b>	<b>\$ 2,063</b>	<b>435</b>		<b>14,280</b>
<b>Non-cash investing and capital financing activities:</b>				
Accrued interest	\$ (22)	5		

(Cont)

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2003  
(In Thousands)**

(Cont)

	Fleet Services	Mail, Print & Records	Facilities Management
Cash flows from operating activities:			
Cash received from customers (including other funds)	\$ 20,955	11,495	68,646
Other receipts			287
Cash payments to suppliers	(8,405)	(8,048)	(46,766)
Cash payments to employees	(3,914)	(2,426)	(17,530)
Internal activity-payments to other funds	(2,518)	(1,254)	(5,377)
Net cash provided by operating activities	\$ 6,143	(233)	(740)
Cash flows from non-capital financing activities:			
Transfers from (to) other funds	4,530	(108)	207
Advances from (to) other funds			
Net cash used for non-capital financing activities	\$ 4,530	(108)	207
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(10,695)	(22)	(19)
Capital contributions			
Proceeds from sale of equipment	569	2	
Principal paid on long-term debt	(2,604)	(90)	
Interest paid on long-term debt	(125)	(31)	
Net cash used for capital and related financing activities	\$ (12,855)	(141)	(19)
Cash flows from investing activities:			
Interest	405	31	83
Net increase (decrease) in cash & cash equivalents	\$ (2,307)	(400)	(569)
Cash and cash equivalents - beginning of year	18,422	2,195	8,169
Cash and cash equivalents - end of year	\$ 16,115	1,795	7,600
Reconciliation of operating income:			
Operating income (loss)	(861)	212	(2,434)
Adjustments to reconcile:			
Increase (decrease) in compensated absences	12	(17)	90
Increase (decrease) in accrued payroll	4	1	59
Increase (decrease) in due to other funds	(1,049)	(368)	(2,667)
Increase (decrease) in accounts payable	295	119	(873)
Increase (decrease) in claims and judgments			
Decrease (increase) in accounts receivable	(3)	(67)	(33)
Decrease (increase) in inventory	106	(97)	6
Decrease (increase) in deferred credits			287
Decrease (increase) in due from other funds	(235)	(124)	4,802
Decrease (increase) in other current assets		13	
Depreciation	7,849	95	23
Net cash provided by operating activities	\$ 6,143	(233)	(740)

## Non-cash investing and capital financing activities:

Accrued interest	\$ 56		53
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(Cont)

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2003**  
**(In Thousands)**

(Cont)

	Information Technology	Other Miscellaneous	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers (including other funds)	\$ 125,226	2,968	311,059
Other receipts			287
Cash payments to suppliers	(156,731)	(1,313)	(279,939)
Cash payments to employees			(26,837)
Internal activity-payments to other funds	(3,823)	(18)	(16,388)
<b>Net cash provided by operating activities</b>	<b>(35,328)</b>	<b>1,637</b>	<b>(11,818)</b>
<b>Cash flows from non-capital financing activities:</b>			
Transfers from (to) other funds	1,527	(1,209)	3,923
Advances from (to) other funds			(373)
<b>Net cash used for non-capital financing activities</b>	<b>1,527</b>	<b>(1,209)</b>	<b>3,558</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(7,142)	(22)	(20,710)
Capital contributions	7,142		7,142
Proceeds from sale of equipment			686
Principal paid on long-term debt			(2,694)
Interest paid on long-term debt			(156)
<b>Net cash used for capital and related financing activities</b>			<b>(15,624)</b>
<b>Cash flows from investing activities:</b>			
Interest			851
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>(32,303)</b>	<b>406</b>	<b>(31,897)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>79,240</b>	<b>1,560</b>	<b>195,063</b>
<b>Cash and cash equivalents - end of year</b>	<b>46,937</b>	<b>1,966</b>	<b>171,914</b>
<b>Reconciliation of operating income:</b>			
Operating income (loss)	2,308	1,461	10,829
Adjustments to reconcile:			
Increase (decrease) in compensated absences			95
Increase (decrease) in accrued payroll			56
Increase (decrease) in due to other funds	(3,823)	20	(5,083)
Increase (decrease) in accounts payable	(36,721)	121	(38,272)
Increase (decrease) in claims and judgments			2,795
Decrease (increase) in accounts receivable	697	(4)	546
Decrease (increase) in inventory		1	1,040
Decrease (increase) in deferred credits			287
Decrease (increase) in due from other funds	2,211	5	6,334
Decrease (increase) in other current assets			13
Depreciation		33	9,542
<b>Net cash provided by operating activities</b>	<b>\$ (35,328)</b>	<b>1,637</b>	<b>(11,818)</b>
<b>Non-cash investing and capital financing activities:</b>			
Accrued interest	\$		92



**AGENCY FUNDS**

These funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the county's programs or services. Any portion of agency fund assets held at fiscal year end for other funds are reported in those funds rather than in the agency funds.

# Financial Report of San Diego County

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

### AGENCY FUNDS

Year Ended June 30, 2003

(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
<b>AGENCY FUNDS</b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 424,250	15,683,902	15,750,648	357,504
Cash with fiscal agents	5,835	105,888	103,559	8,164
Collections in transit	14,949	15,697	15,079	15,567
Imprest cash	5			5
Investments	1	45,387,077	45,387,077	1
Taxes receivable	218,446	3,145,695	3,169,146	194,995
Accounts receivable	13,350	513,968	511,996	15,322
Due from other funds	1,324	133,935	134,215	1,044
<b>Total assets</b>	<b>\$ 6,783,143</b>	<b>64,986,162</b>	<b>65,071,720</b>	<b>592,602</b>
<b>LIABILITIES</b>				
Accounts payable	\$	369,920	369,269	651
Due to other funds	102,146	5,146,852	5,184,173	64,825
Due to other governments	515,914	14,187,975	14,238,499	465,390
Amount due for commercial paper notes	60,100	41,101	39,465	61,736
<b>Total liabilities</b>	<b>\$ 674,160</b>	<b>19,745,848</b>	<b>19,831,406</b>	<b>592,602</b>





STATISTICAL SECTION



**COMPARISON OF EXPENDITURES  
COUNTY GOVERNMENTAL FUNDS  
Fiscal Years 1993-94 Through 2002-2003  
(In Thousands)**

**TABLE 1**

		1993-94	1994-95	1995-96	1996-97	1997-98
General government	\$	204,216	166,381	172,916	186,861	184,465
Public protection		438,051	450,419	481,691	509,142	544,585
Public ways & facilities		66,766	62,786	69,617	64,180	66,509
Health & sanitation		247,533	256,011	265,396	268,400	294,867
Public assistance		932,497	1,001,420	992,263	915,302	816,620
Education		8,419	8,879	8,973	9,375	10,097
Recreation & cultural		7,648	6,749	7,109	7,210	9,309
Capital outlay		111,895	60,914	115,170	74,368	91,119
Debt service		40,694	72,894	77,705	91,914	98,150
Total	\$	2,057,719	2,086,453	2,190,340	2,126,752	2,115,721

		1998-99	1999-00	2000-01	2001-02	2002-03
General government	\$	185,426	150,879	136,714	156,517	209,874
Public protection		575,825	667,565	728,212	809,185	1,145,171
Public ways & facilities		80,127	72,721	83,932	95,936	123,202
Health & sanitation		319,505	370,379	454,628	548,627	600,525
Public assistance		703,132	737,284	747,430	827,229	1,037,467
Education		11,325	14,263	18,621	24,005	31,013
Recreation & cultural		11,203	12,393	13,102	16,514	20,805
Capital outlay		47,098	55,239	57,723	72,341	83,748
Debt service		103,448	110,221	140,000	169,311	162,593
Total	\$	2,037,089	2,190,944	2,380,362	2,719,665	3,414,398

Governmental funds include the General Fund, Tobacco Securitization Special Revenue Fund, Tobacco Securitization Joint Special Revenue Fund, and Non Major Governmental Funds including Special Revenue, Debt Service and Capital Projects funds.

**COMPARISON OF REVENUES BY SOURCE**  
**COUNTY GOVERNMENTAL FUNDS**  
**Fiscal Years 1993-94 through 2002-2003**  
**(In Thousands)**

**TABLE 2**

	1993-94	1994-95	1995-96	1996-97	1997-98
Taxes	\$ 353,752	272,831	299,383	297,314	306,203
Licenses, permits and franchises	26,868	27,011	26,587	28,118	28,312
Fines, forfeitures and penalties	19,576	18,156	23,787	22,972	29,396
Use of money and property	45,432	26,069	25,319	31,089	48,968
Aid from other governmental agencies	1,470,308	1,532,529	1,587,410	1,536,529	1,481,185
Charges for current services	162,658	156,823	171,079	173,489	196,435
Other revenue	17,927	17,234	17,725	27,327	18,822
<b>Total</b>	<b>\$ 2,096,521</b>	<b>2,050,653</b>	<b>2,151,290</b>	<b>2,115,838</b>	<b>2,109,321</b>

	1998-99	1999-00	2000-01	2001-02	2002-03
Taxes	\$ 338,487	344,393	432,468	409,969	446,835
Licenses, permits and franchises	31,095	31,796	34,796	37,808	39,335
Fines, forfeitures and penalties	27,015	36,235	40,139	39,691	41,236
Use of money and property	40,939	48,519	74,244	45,567	40,733
Aid from other governmental agencies	1,418,073	1,575,013	1,739,153	1,771,123	1,930,261
Charges for current services	211,290	209,400	223,296	251,018	266,574
Other revenue	31,130	28,782	37,214	70,203	70,065
<b>Total</b>	<b>\$ 2,098,029</b>	<b>2,274,138</b>	<b>2,581,310</b>	<b>2,625,879</b>	<b>2,835,039</b>

Governmental funds include the General Fund, Tobacco Securitization Special Revenue Fund, Tobacco Securitization Joint Special Revenue Fund, and Non Major Governmental Funds including Special Revenue, Debt Service and Capital Projects funds.

**COMPARISON OF COUNTY ASSESSED VALUE  
TAXES LEVIED AND TAX COLLECTIONS COUNTY GENERAL AND LIBRARY FUNDS  
Fiscal Years 1993-94 through 2002-03  
(In Thousands)**

**TABLE 3**

Assessed valuations and tax rates	1993-94	1994-95	1995-96	1996-97	1997-98
Secured	\$ 139,889,004	140,737,545	142,068,531	142,356,634	145,607,295
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Unsecured	6,132,432	6,448,886	6,695,765	6,755,173	7,295,084
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Tax levied (current and prior)	249,877	218,190	221,960	223,706	231,220
Current tax collections	222,839	216,385	220,205	221,724	228,984
Delinquent tax collections	25,661	136	209	165	179
Total tax collections	248,500	216,521	220,414	221,889	229,163
Ratio of total collections to levy	99.4%	99.2%	99.3%	99.2%	99.1%
Outstanding delinquent taxes	\$ 1,377	1,669	1,546	1,817	2,057

Assessed valuations and tax rates	1998-99	1999-00	2000-01	2001-02	2002-03
Secured	\$ 155,847,593	171,710,387	186,548,635	204,408,552	222,255,305
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Unsecured	7,880,996	8,838,343	9,168,845	10,075,117	10,607,072
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Tax levied (current and prior)	247,288	270,611	292,042	318,380	343,190
Current tax collections	244,803	267,987	289,406	315,736	340,071
Delinquent tax collections	223	217	164	148	283
Total tax collections	245,026	268,204	289,570	315,884	340,354
Ratio of total collections to levy	99.1%	99.1%	99.2%	99.2%	99.2%
Outstanding delinquent taxes	\$ 2,262	2,407	2,472	2,496	2,836



**COMPARISON OF ASSESSED VALUATIONS  
SECURED AND UNSECURED  
Fiscal Years 1993-94 through 2002-03  
(In Thousands)**

**TABLE 4**

	<b>1993-94</b>	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>
Secured property:					
Land	\$ 57,882,623	58,065,558	58,442,660	58,743,000	59,965,573
Improvements	83,110,455	84,039,711	84,997,932	85,004,255	85,520,503
Personal property	2,173,676	2,102,662	2,241,217	2,253,372	4,125,615
Gross secured valuations	143,166,754	144,207,931	145,681,809	146,000,627	149,611,691
Exemptions:	3,277,750	3,470,386	3,613,279	3,643,995	4,004,395
Net secured valuations	139,889,004	140,737,545	142,068,530	142,356,632	145,607,296
Unsecured property:					
Land	155	74	26,663		
Improvements	1,521,429	1,588,569	1,587,308	1,759,688	1,706,300
Personal property	4,854,494	5,073,088	5,295,127	5,150,899	6,096,946
Gross unsecured valuations	6,376,078	6,661,730	6,909,098	6,910,587	7,803,246
Exemptions:	243,646	212,845	213,333	155,414	508,163
Net unsecured valuations	6,132,432	6,448,886	6,695,765	6,755,173	7,295,083
Net valuations	146,021,436	147,186,431	148,764,295	149,111,805	152,902,379

	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
Secured property:					
Land	\$ 63,633,576	70,120,054	76,745,341	84,852,228	93,104,455
Improvements	92,369,459	103,036,379	110,551,695	120,502,617	131,008,612
Personal property	4,099,352	2,957,459	3,897,721	3,926,419	3,263,353
Gross secured valuations	160,102,387	176,113,892	191,194,757	209,281,264	227,376,420
Exemptions:	4,254,794	4,403,504	4,646,122	4,872,712	5,121,115
Net secured valuations	155,847,593	171,710,388	186,548,635	204,408,552	222,255,305
Unsecured property:					
Improvements	1,803,442	2,011,700	2,144,396	2,127,362	2,450,811
Personal property	6,478,142	7,263,938	7,701,247	8,749,368	8,509,857
Gross unsecured valuations	8,281,584	9,275,638	9,845,643	10,876,730	10,960,668
Exemptions:	400,587	437,295	676,798	801,613	353,596
Net unsecured valuations	7,880,997	8,838,343	9,168,845	10,075,117	10,607,072
Net valuations	163,728,590	180,548,731	195,717,480	214,483,669	232,862,377

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO  
ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
Fiscal Years 1993-94 through 2002-2003  
(In Thousands)**

**TABLE 5**

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (2)	GROSS BONDED DEBT (3)	LESS DEBT SERVICE FUND (4)	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1993-94	2,639	\$ 146,021,436	\$ 718,132	28,414	689,718	0.47	261
1994-95	2,659	147,186,431	762,993	47,625	715,368	0.49	269
1995-96	2,690	148,764,295	799,533	51,652	747,881	0.50	278
1996-97	2,724	149,111,807	834,773	30,275	804,498	0.54	295
1997-98	2,795	152,902,378	819,813	28,394	791,419	0.52	283
1998-99	2,853	163,728,589	847,038	28,300	818,738	0.50	287
1999-00	2,911	180,548,730	863,285	31,377	831,908	0.46	286
2000-01	2,884	195,717,480	783,795	37,145	746,650	0.38	259
2001-02	2,918	214,483,669	716,690	26,382	690,308	0.32	237
2002-03	2,961	232,862,377	1,220,080	28,326	1,191,754	0.51	402

(1) From Table 10

(2) From Table 8

(3) Includes Lease Revenue Bonds and Certificates of Participation of various Joint Power Authorities and the San Diego County Capital Asset Leasing Corporation and taxable Pension Obligation Bonds.

(4) Amount available for repayment of bonded debt (Redevelopment Agency excluded)

**COMPARISON OF SECURED PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS**  
**(PER \$100 OF ASSESSED VALUE)**  
**Fiscal Years 1993-94 through 2002-2003**

TABLE 6

FISCAL YEAR	GOVERNMENTAL ENTITY				
	COUNTY-WIDE*	SCHOOLS	CITIES	SPECIAL DISTRICTS	TOTAL
1994 .....	1.000	0.045	0.005	0.016	1.066
1995 .....	1.000	0.044	0.005	0.015	1.064
1996 .....	1.000	0.044	0.005	0.016	1.065
1997 .....	1.000	0.044	0.004	0.015	1.063
1998 .....	1.000	0.045	0.004	0.013	1.062
1999 .....	1.000	0.044	0.004	0.012	1.060
2000 .....	1.000	0.046	0.004	0.011	1.061
2001 .....	1.000	0.047	0.004	0.011	1.062
2002 .....	1.000	0.048	0.004	0.009	1.061
2003 .....	1.000	0.054	0.004	0.008	1.066

\* The \$1.00 per \$100 of Assessed Value (Proposition 13) tax rate beginning in fiscal year 1978-1979 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.

**COMPARISON OF RATIO OF ANNUAL DEBT SERVICE FOR  
GENERAL BONDED DEBT TO  
TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
Fiscal Years 1993-94 through 2002-2003  
(In Thousands)**

TABLE 7

	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)	RATIO OF DEBT SERVICE TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
1993-1994	\$ 11,815	12,367	24,182	2,057,719	1.18
1994-1995	13,605	41,023	54,628	2,086,453	2.62
1995-1996	15,653	44,907	60,560	2,190,840	2.76
1996-1997	56,589	19,722	76,311	2,126,752	3.59
1997-1998	37,365	46,528	83,893	2,115,721	3.97
1998-1999	45,844	47,118	92,962	2,037,089	4.56
1999-2000	53,847	46,061	99,908	2,190,944	4.56
2000-2001	77,432	49,642	127,074	2,380,362	5.34
2001-2002	101,395	62,084	163,479	2,719,665	6.01
2002-2003	88,590	60,767	149,357	3,414,398	4.37

- (1) Includes General, Special Revenue, Debt Service and Capital Projects funds. The debt service expenditures for Lease Revenue Bonds and Certificates of Participation of various Joint Powers Authorities and the San Diego County Capital Asset Leasing Corporation are incorporated into the County's Comprehensive Annual Financial Report in accordance with criteria adopted by the Governmental Accounting Standards Board. These debt instruments function as general obligation debt of the County. The general revenues of the County, including taxes, are the source of payment for the debt service expenditures made by these agencies. Prior to fiscal year 1993-94, the County had no general obligation bonded debt. During 1993-94, the County issued \$430.4 million in taxable pension obligation bonds which are secured by the general revenues of the County.

**COMPARISON OF COMPUTATION OF LEGAL DEBT MARGIN**  
**Fiscal Years 1993-94 through 2002-2003**  
**(In Thousands)**

**TABLE 8**

	POPULATION PER OFFICIAL U.S. CENSUS (1)	TOTAL ASSESSED VALUATION	LEGAL DEBT LIMIT (2)	LEGAL DEBT MARGIN (3)
1993-1994 .....	2,639	\$ 146,021,436	1,825,268	1,825,268
1994-1995 .....	2,659	147,186,431	1,839,830	1,839,830
1995-1996 .....	2,690	148,764,295	1,859,554	1,859,554
1996-1997 .....	2,724	149,111,807	1,863,898	1,863,898
1997-1998 .....	2,795	152,902,378	1,911,280	1,911,280
1998-1999 .....	2,853	163,728,589	2,046,607	2,046,607
1999-2000 .....	2,911	180,548,730	2,256,859	2,256,859
2000-2001 .....	2,884	195,717,480	2,446,469	2,446,469
2001-2002 .....	2,918	214,483,669	2,681,046	2,681,046
2002-2003 .....	2,961	232,862,377	2,910,780	2,910,780

(1) Estimated

(2) The Legal debt Limit is 1.25% of Assessed Valuation

(3) Legal Debt Margin is computed by subtracting the County legal general obligation bonded debt from the Legal Debt Limit. Beginning in 1980-81 and subsequent fiscal years the County, as a legally defined entity, had no tax supported general obligation bonded debt outstanding.

**COMPARISON OF CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUES**  
**Fiscal Years 1993-94 through 2002-2003**  
**Calendar Years 1993 through 2002**  
**(In Thousands)**

**TABLE 9**

	1993	1994	1995	1996	1997
<b>(1) CONSTRUCTION</b>					
Residential units	5,602	6,935	6,608	6,868	11,402
Non-residential units	156	127	254	293	452
Residential/ non-residential valuation	\$ 1,112,652	1,262,621	1,383,828	1,637,479	2,502,736
Alterations/additions valuation	428,895	405,844	431,422	459,471	488,264
Total valuation	1,541,547	1,668,465	1,815,250	2,096,950	2,991,000
Fiscal year	1993-94	1994-95	1995-96	1996-97	1997-98
<b>(2)</b>					
Bank deposits	\$ 15,728,193	15,332,999	15,053,416	15,105,204	17,365,228
<b>(3) PROPERTY VALUE</b>					
Commerical	\$ 27,851,773	27,034,074	26,526,398	26,426,880	27,214,630
Residential	99,978,225	101,807,538	103,576,070	104,163,069	106,742,185
Non-taxable	3,277,750	3,470,386	3,613,279	3,643,995	4,004,395
	1998	1999	2000	2001	2002
<b>(1) CONSTRUCTION</b>					
Residential units	12,173	16,427	15,927	15,650	14,957
Non-residential units	641	619	573	475	488
Residential/ non-residential valuation	\$ 2,970,179	3,605,497	3,685,819	3,663,378	3,357,093
Alterations/additions valuation	555,152	717,092	713,887	696,046	623,195
Total valuation	3,525,331	4,322,589	4,399,706	4,359,424	3,980,288
Fiscal year	1998-99	1999-00	2000-01	2001-02	2002-03
<b>(2)</b>					
Bank deposits	\$ 18,838,052	20,103,119	22,040,351	24,132,798	(4)
<b>(3) PROPERTY VALUE</b>					
<b>(5)</b> Commerical	\$ 30,381,796	34,406,623	38,108,162	41,522,846	44,763,100
<b>(5)</b> Residential	113,347,767	124,792,674	136,721,138	150,918,286	165,975,371
<b>(5)</b> Non-taxable	4,254,794	4,403,504	4,646,121	4,872,712	5,121,115

Sources:

- (1) Greater San Diego Chamber of Commerce
- (2) Federal Reserve Bank - FDIC Banks and Branches Data Book
- (3) San Diego County Property Tax Services and Assessor
- (4) Not yet available
- (5) Excludes farm land, institutional, recreational, miscellaneous fixtures and personal property

**COMPARISON OF DEMOGRAPHIC STATISTICS**  
**Calendar Years 1994 through 2003**

**TABLE 10**

YEAR	POPULATION (1)	CIVILIAN LABOR FORCE	UNEMPLOYMENT PERCENTAGE RATE
1994 .....	2,638,511	1,199,100	7.4
1995 .....	2,658,584	1,217,100	6.8
1996 .....	2,690,255	1,232,400	5.5
1997 .....	2,724,457	1,249,700	4.5
1998 .....	2,794,800	1,281,600	4.2
1999 .....	2,853,258	1,347,800	3.3
2000 .....	2,911,468	1,401,900	3.7
2001 .....	2,883,600	1,362,900	3.0
2002 .....	2,918,254	1,475,300 (2)	4.2
2003 .....	2,961,600	1,494,600 (2)	4.5 (2)

## DATA SOURCES:

- (1) State Department of Finance (As of January 1)  
 (2) State Employment Development Department for 2003

**COMPARISON OF REVENUE BOND COVERAGE  
WATER AND SEWER BONDS  
Fiscal Years 1993-94 through 2002-2003  
(In Thousands)**

**TABLE 11**

FISCAL YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES(1)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			TOTAL COVERAGE
				PRINCIPAL	INTEREST		
1993-94	\$ 18,300	10,869	7,431	15	11	26	285.81
1994-95	20,885	17,816	3,069	15	10	25	122.76
1995-96	19,031	17,657	1,374	15	9	24	57.25
1996-97	19,056	11,050	8,006	15	8	23	348.09
1997-98	22,177	16,004	6,173	20	6	26	237.42
1998-99	20,917	15,494	5,423	20	5	25	216.92
1999-00	21,672	12,527	9,145	20	4	24	381.04
2000-01	16,103	11,667	4,436	20	4	24	184.83
2001-02	17,949	13,995	3,954	25	2	27	146.44
2002-03	16,721	13,907	2,814	0	0	0	

(1) Total Operating Expenses exclusive of depreciation



## ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT

TABLE 12

2002-03 Assessed Valuation:	\$ 232,862,376,749	(Includes unitary utility valuation)
Redevelopment Incremental Valuation:	15,628,820,306	
Adjusted Assessed Valuation:	<u>\$ 217,233,556,443</u>	

OVERLAPPING TAX AND ASSESSMENT DEBT	% Applicable	Debt 4/1/03
Metropolitan Water District	18.007	\$ 80,004,201
San Diego County Water Authority	100	1,645,000
Southwestern Community College District	100	39,540,000
San Diego Unified School District	100	764,985,227
San Diego Unified School District Lease Tax Obligations	100	67,845,000
Vista Unified School District	100	92,000,541
Other Unified School Districts	100	117,377,849
Union High School Districts	100	104,425,117
School Districts	100	293,368,434
Otay Municipal Water District Improvement Districts	100	11,160,000
Other Municipal Water Districts	100	1,430,000
City of San Diego	100	15,690,000
Other Cities	100	3,375,000
San Diego Open Space Park Facilities District	100	36,475,000
Other Special Districts	100	1,360,000
Community Facilities Districts	100	963,088,754
1915 Act Bonds (Estimated)	100	222,707,850
<b>TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>2,816,477,973</b>
Less: San Diego Open Space Park Facilities District (100% self-supporting)		36,475,000
<b>TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>2,780,002,973</b>

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
San Diego County General Fund Obligations	100	488,018,767 (1)
San Diego County Pension Obligations	100	824,395,000
San Diego County Superintendent of Schools Obligations	100	2,067,500
Community College District Certificates of Participation	100	71,990,000
San Diego Unified School District Certificates of Participation	100	30,280,000
Other Unified School Districts Certificates of Participation	100	81,212,356
High School District Certificates of Participation	100	51,261,500
School District Certificates of Participation	100	131,910,000
Municipal Water District Certificates of Participation	100	28,790,000
City of Chula Vista General Fund and Pension Obligations	100	106,136,566
City of San Diego General Fund Obligations	100	551,365,000
City of Escondido and General Fund Obligations	100	89,342,847
Other City General Fund Obligations	100	272,625,357
San Miguel Consolidated Fire Protection District Certificates of Participation	100	10,150,000
Fallbrook Sanitary District Certificates of Participation	100	10,170,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>2,749,714,893</b>

(Cont)

ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT

TABLE 12 (Cont)

Less: Otay municipal water district certificates of participation (100% self-supporting)	26,030,000
Grossmont union high school district certificates of participation (100% self-supporting from tax increment revenues)	7,389,000
City of Oceanside Certificates of Participation	2,280,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	2,714,015,893
GROSS COMBINED TOTAL DEBT	5,566,192,866 (2)

NET COMBINED TOTAL DEBT \$ 5,494,018,866

- (1) Excludes tax & revenue anticipation notes.  
 (2) Excludes tax & revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 assessed valuation:

Total Gross Direct and Overlapping Tax and Assessment Debt	1.21 %
Total Net Direct and Overlapping Tax and Assessment Debt	1.19

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,312,413,767)	0.60
Gross Combined Total Debt	2.56
Net Combined Total Debt	2.53

STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2002 \$ 2,728,994

Source: California Municipal Statistics, Inc. (As of April 1, 2003)

## PRINCIPAL TAXPAYERS

June 30, 2003

(In Thousands)

TABLE 13

TAXPAYERS	TYPE OF BUSINESS	ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
San Diego Gas & Electric Company	Gas & Electric Utility	\$ 2,546,874	1.09
Pacific Bell	Telephone Company	1,290,726	0.55
Southern California Edison Co.	Electric Utility	1,244,408	0.53
Kilroy Realty L P	Real Estate	539,637	0.23
Fashion Valley Mall LLC	Real Estate	530,665	0.23
Qualcomm Inc.	Telecommunications	465,566	0.20
San Diego Family Housing LLC	Real Estate	319,510	0.14
L-O Coronado Holding II Inc	Real Estate	308,912	0.13
Cabrillo Power I L L C	Electric Utility	305,158	0.13
Sea World Inc.	Marine Oriented Theme Park	280,063	0.12
		\$ 7,831,519	3.35

**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2003**

**TABLE 14**

<b>FORM OF GOVERNMENT:</b>	Chartered County, governed by five-member Board of Supervisors	
<b>COUNTY SEAT:</b>	San Diego, California	
<b>COUNTY CHARTER ADOPTED:</b>	July 1, 1933	
<b>FISCAL YEAR BEGINS:</b>	July 1	
<b>AREA OF COUNTY:</b>	Approximately 4,200 square miles	
<b>GEOGRAPHICAL LOCATION:</b>	The Southwestern most county in California and the continental United States. Bounded by Mexico on the South, Riverside and Orange counties on the North, Imperial County on the East and the Pacific Ocean on the West. Extends North to South approximately 60 miles and East to West 70 miles.	
<b>ALTITUDE:</b>	Sea Level to 6,500 feet	
<b>INCORPORATED CITIES:</b>	Carlsbad	Lemon Grove
	Chula Vista	National City
	Coronado	Oceanside
	Del Mar	Poway
	El Cajon	San Diego
	Encinitas	San Marcos
	Escondido	Santee
	Imperial Beach	Solana Beach
	La Mesa	Vista

<b>SPECIAL DISTRICTS</b>	
Air Pollution Control	1
Cemetery	4
Community Facilities	156
Community Services	12
County Service Areas	41
Education:	
Schools	47
Dept. of Education	1
Fire	16
Flood Control	1
Geological Hazard	1
Hospital	4
Infrastructure	1
Irrigation	6
Library	1
Lighting	6
Maintenance:	
Lighting	1
Sewer	2
Street	1
Permanent Road Divisions	65
Public Utility	1
Recreation and Parks	1
Redevelopment Agencies	17
Resource Conservation	3
Sanitation	9
Sewer	1
Small Craft Harbor	1
Unified Port	1
Vector Control	1
Water:	
California	3
County	5
Miscellaneous	2
Municipal	14
<b>426</b>	

**MILES OF COUNTY-MAINTAINED ROADS**  
(Unincorporated Areas Only):

1,899.69

(Cont)

## MISCELLANEOUS STATISTICAL DATA

June 30, 2003

TABLE 14 (Cont)

SEWERS MAINTAINED BY WASTEWATER MANAGEMENT	
Districts Connected to Metropolitan System	4
Water Pollution Control Facilities	6
Sewer Lines, Miles	380
Equivalent Dwelling Units Sewer Connections	51,086

REGISTERED VOTERS	
Primary Election:	November 5, 2002
Number Voted:	684,285
Percent Voted:	48.89
Registered Voters:	1,399,628

MAJOR INDUSTRY GROUP OF EMPLOYED PERSONS FOR SAN DIEGO COUNTY (In Thousands)	
JUNE 30	
Agriculture and Fishing	10.9
Mining	0.3
Contract Construction	80.3
Manufacturing:	
Machinery Manufacturing	9.9
Computer & Electronic	25.6
Aircraft & Transportation Equipment	12.9
Other Manufacturing	33.7
Paper, Printing and Publishing	26.9
Transportation and Public Utilities	29.4
Wholesale and Retail Trade	180.4
Finance, Real Estate and Insurance	73.9
Service Industries	541.5
Government	222.1
Subtotal:	1,247.8
Not Elsewhere Classified	179.0
TOTAL EMPLOYED	1,426.8
UNEMPLOYED	67.8
TOTAL CIVILIAN LABOR FORCE	1,494.6

TOTAL COUNTY EMPLOYEES AT JUNE 30			
Year	Number of Employees	Percent of Increase over Previous Year	Number of Employees Per Thousand Population
1994	17,256	1.5	6.54
1995	17,470	1.2	6.57
1996	17,626	0.9	6.55
1997	17,623	(0.0)	6.47
1998	17,790	0.9	6.36
1999	17,988	1.1	6.30
2000	18,215	1.3	6.26
2001	18,725	2.8	6.49
2002	19,882	6.2	6.81
2003	19,458	(2.1)	6.57